



FINAL REPORT

NEW NYANZA PROVINCIAL GENERAL HOSPITAL

PROCUREMENT REVIEW

REVIEW PERIOD: 1ST JULY 2008 TO 30TH APRIL 2009

JUNE 2010

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ACRONYMS

AIE	Authority to Incur Expenditure
AO	Accounting Officer
D	Minor Deviations
DD	Moderate Deviations
DDD	Major Deviations
DP	Direct Procurement
FY	Financial Year
GOK	Government of Kenya
HOD	Head of Department
IA	Internal Auditor
KACC	Kenya Anti Corruption Commission
LPO	Local Purchase Order
LSO	Local Service Order
LVP	Low value Procurement
NNPGH	New Nyanza Provincial General Hospital
OIT	Open International Tender
ONT	Open National Tender
PE	Procuring Entity
PC	Procurement Committee
PIN	Personal Identification Number
PM	Procurement Method
PPDA	Public Procurement and Disposal Act
PPDR	Public Procurement and Disposal Regulations
PO	Procurement Officer
PPOA	Public Procurement Oversight Authority
PR	Procurement Review
PS	Permanent Secretary
PU	Procurement Unit
PV	Payment Voucher
RFP	Request for Proposal
RFQ	Request for Quotations
RT	Restricted Tender
SP	Satisfactory Performance
SPP	Specially Permitted Procurement
TC	Hospital Tender Committee
TP	Threshold Program
VAT	Value Added Tax

EXECUTIVE SUMMARY

This report presents the results of the procurement review of New Nyanza Provincial General Hospital undertaken jointly by Wachira Irungu & Associates/Gath Consulting Engineers team on behalf of PPOA, under Third Party Providers, which was carried out during the period May 2009 to June 2009. The objective of the procurement review was to carry out review of the status of New Nyanza Provincial General Hospital procurement contracting, implementation processes and systems, in order to determine the level of compliance with the procurement Act, regulations, circulars, guidelines and directives issued by the Public Procurement Oversight Authority.

The review was limited to compliance with the law, regulations, internal controls and institutional framework as they relate to procurement functions. The review considered performance of procurement functions for the period 1st July 2008 to 30th April 2009. The review scope encompassed key areas of the public procurement and disposal processes from planning to the final stage of the procurement proceedings undertaken by the Institution selected by random sampling method.

NNPGH serves a catchment with a population of over 5 million people in three provinces namely Nyanza, Western and Rift Valley. The hospital receives about Kshs 16 million per annum from the central government and a further Kshs 48 million is generated through cost sharing. However, it continues to offer specialized services such as surgery, pediatrics, ophthalmology, ENT, radiology, pathology and oncology among others. It is the only public hospital in Western Kenya that has an Intensive Care Unit (ICU). It also has six operating theatres. The hospital has also taken on board research and training as important activities in recent years.

The fieldwork was undertaken by going through the files and documents pertaining to the NNPGH'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 procurement unit and user departments.

During the review period, NNPGH undertook approximately 501 procurement transactions of goods and services of value KShs. 42,680,373. The value of ONT procurement transactions during the review period was the highest amounting to KShs 33,943,681 which is approximately 79% of the total procurement budget, which is quite commendable. RFQ constitutes Kshs.6,252,434 or 15% of the total procurement population. On the other hand, direct procurement transactions were very few mainly involving the purchase of cooking gas. Low Value Procurements were not in accordance with the prescribed maximum threshold matrix for class "B" Procuring Entities set out in the PPDR 2006.

There were no disposals during the period under review. NNPGH has constituted a Disposal Committee as provided for in Regulation 92 of the PPDR 2006. However, there is no Disposal Plan for the unserviceable, obsolete, or surplus stores and equipment.

On the scope of application of the Act and the Regulations, all the standing and specific committees are operational.

Budget rules, regulations and financial procedures that support timely procurement, contract execution and payment are deficient. In all the cases reviewed, the review team found no proof that the procurements were initiated within existing budget appropriations. The system of filing and record keeping is very weak. Filing and record keeping is fragmented and scattered amongst various departments of NNPGH and the District Accountant's Office. This hampers document location, retrieval, and traceability. There was no single comprehensive procurement file for each procurement activity selected for sampling. NNPGH does not file any report with PPOA as stipulated in the PPDA 2005 and PPDR 2006.

NNPGH does not have an Internal Audit unit and hence relies on the work of the District Internal Auditor. NNPGH should seriously consider establishing an Internal Audit unit in order to strengthen its control environment, internal checks and accountability. Contract management is weak and needs to be strengthened as poorly supervised contracts could lead to financial losses.

The detailed results of the review and recommended actions are documented in this report. Key findings and recommendations as they relate to each of the areas considered in this review are provided in Chapter 3 of the report. A complete action plan of the recommendations as they relate to each of the areas considered in this review is provided at the end of this report which the PPOA will monitor, review and work with NNPGH to assist with implementation of the recommendations.

The areas considered in the report are critical to the future success of the NNPGH's procurement functions. Unless recommendations are implemented, NNPGH will not be able to comply fully with the Public Procurement and Disposal Act 2005 and the associated regulations, PPOA circulars, guidelines and directives.

I.0 INTRODUCTION

The Government of Kenya (GOK) established the Public Procurement Oversight Authority (PPOA) in 2005 as a body corporate under Section 8 of the Public Procurement and Disposal Act of (PPDA) 2005, and vested it with the full responsibility for executing the activities and outputs necessary to carry out procurement reforms in the country's public sector.

According to the PPDA 2005, procurement has been decentralized and all the Procuring Entities (PEs) are now carrying out their procurement and disposal activities. These Procuring Entities include Central Government ministries and departments, Statutory Bodies, State owned corporations, all the Local Government Authorities, co-operative societies and Constituency Development Funds (CDF).

PPOA is the oversight agency that advises the Government on all matters to do with Public Procurement and disposal, including, policy, the law, regulations, guidelines, etc as well as monitoring and reviewing performance and compliance by the public Procuring Entities (PEs) with the laws and best procurement practices. The overriding objectives of the Government public procurement reforms include:

- a) Improving accountability, integrity and transparency;
- b) Reducing the incidence of corruption; and
- c) Ensuring value for money in the application of public funds.

In assessing compliance, "procurement reviews" have been used in place of "audits," to distinguish these activities from those of the Kenya National Audit Office (KENAO).

I.1 Mandate of PPOA

The Government established the Public Procurement Oversight Authority (PPOA) as a body corporate under section 8 of the Public Procurement and Disposal Act of 2005. Section 9 of the Act sets out the functions of PPOA as follows, to:

- a) Ensure that the procurement procedures established under the PPDA are complied with by the Public Procuring Entities;
- b) Monitor and report on the public procurement system and recommend improvements;
- c) Assist in the implementation and operation of the public procurement system; prepare and distribute manuals and standard documents to be used by PEs; provide advice and assistance to the PEs; develop, promote and support the training and professional development of the persons involved in procurement; and ensure that procuring entities engage procurement professionals in their procurement units;

- d) Initiate public procurement policy and propose amendments to the Act; and
- e) Perform such other functions and duties as are provided for under the Act.

As part of its mandate, PPOA is also expected to foster more transparency, non-discrimination, fairness, competition, accountability, economy, and effectiveness in the procurement and disposal processes and to strengthen the public sector management aspects. It is expected that government ministries and departments would play an increased role in the procurement and disposal process while PPOA will provide the policy regulation, coordination, supervision, and control to achieve value for money in public procurement and disposal activities.

The PPOA's procurement review function is derived from Section 49(1) (a) of the PPDA 2005, which states that *"the Director-General or anyone authorized by him may inspect at any reasonable time the records and accounts of a procuring entity, and the procuring entity and contractor shall co-operate and assist whoever does such an inspection"*.

The Acting Interim Director General wrote to the Medical Superintendent of New Nyanza Provincial General Hospital (NNPGH) on 29th April 2009, informing her that the review would take place and attaching the checklist of the information and documents to be provided by the Institution.

I.2 Responsibility of Procuring Entity

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

I.3 Specific Review Objectives

The objective was to review the status of New Nyanza Provincial General Hospital procurement, contracting, implementation processes and systems, in order to determine the level of compliance with the new procurement law, regulations, circulars, guidelines and directives issued by the Public Procurement Oversight Authority.

The specific objectives of this procurement review were:

- a) To verify the procurement and contracting procedures, processes and documentation followed by New Nyanza Provincial General Hospital, in order to determine whether they were carried out in accordance with the Public Procurement and Disposal Act 2005 and the associated Regulations 2006;
- b) To establish NNPGH adherence to the generally accepted principles of economy and efficiency; equal opportunities; transparency; integrity; fairness; and value for money;
- c) To determine technical compliance, physical completion and price competitiveness of each contract in the selected representative sample;

- d) To review the capacity of NNPGH to handle procurement efficiently; comment on the quality of procurement and contracting; and identify reasons for delays, if any;
- e) 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;
- f) To establish whether remedial actions made in the previous reviews have been carried out successfully;
- g) To make recommendations for improvement in an action plan which will be followed up to establish whether these improvements have been implemented;
- h) To assist in clarification of areas where NNPGH may have misunderstood the requirements of the legislation;
- i) To identify weaknesses e.g. staff shortages, lack of equipment, which impede good performance and need to be rectified; and
- j) To determine challenges faced by the NNPGH in the implementation of the Act.

I.4 Scope of the Review

The procurement review covered procurement activities carried out by NNPGH under the PPDA 2005 during the period 1st July 2008 to 30th April 2009. Procurement proceedings during this period entailed the procurement of goods, services and minor works. The scope of the review work specifically included the following:

- i) Reviewing contract administration and management;
- ii) Reviewing the capacity of implementing agency in handling procurement efficiently.
- iii) Determining whether adequate systems are in place for procurement planning, implementation, monitoring and documentation are maintained as per required standards;
- iv) Determining whether the required institutional arrangement is in place;
- v) Confirming that all necessary supporting documents, records and reports are kept in respect of all relevant procurements;
- vi) Comparing and rating cost of key items across the various Procuring Entities with prevailing market prices;
- vii) Verifying whether Goods, Works and Consulting Services contracted were supplied/completed according to the required specifications and technical standards.
- viii) Verifying whether there has been any disagreements, either between the Accounting Office (AO) and the Tender Committee (TC), or between the TC and the Procurement Unit (PU); and how such disagreements were handled and eventually disposed of;
- ix) Verifying whether there are any reasons given for direct procurements. To indicate whether these reasons would suffice (are genuine) as provided for in the Act, Regulations and Guidelines;

- x) Verifying whether there are any cases where a member of the PE involved in the procurement and disposal process, has ever declared his/her interest in any contract, to avoid conflict of interest; and whether such a member's interest was eventually awarded the contract, or not;
- xi) Preparing a report on the findings of the procurement audit; and
- xii) Providing recommendations that will remedy any weaknesses identified by the audits.

I.5 Review Methodology

I.5.1 Entry Meeting

Before the commencement of fieldwork, an entry meeting with the Institution's management team was held on 11th May 2009 to discuss the scope of the review, the review plan, the reviewers' expectations, access to documentation and other administrative issues. The Acting Deputy Manager Compliance Department PPOA, Mr. Peter K. Ndungu together with Mr. Charles Chama, Compliance Officer, led the review team to the entry meeting. The NNPGH team was led by the Ag. Medical Superintendent Dr. D.O. Raburu (for the Accounting Officer) and included among others, the Chairman of the Tender Committee, Heads of User Departments and the Head of the Procurement Unit. The fieldwork activities commenced immediately upon completion of the entry meeting.

I.5.2 Key Documents

Key documents related to the terms of reference were reviewed. The fieldwork of the review concentrated on gathering sufficient evidence to support any findings regarding the compliance and performance of the Institution. The team reviewed the supporting documentation, such as procurement files, contract files, project documentation, budgets, business plans, etc.

Other background documents included but were not limited to the following: Public Procurement and Disposal Act, 2005 and Regulations, 2006.

I.5.3 Interviews and Discussions

The team held discussions/interviews with relevant staff/officials of NNPGH directly involved in the procurement process to ascertain general and specific information on procurement/disposal, about the process, procedures and existing capacity at the institution.

Persons met during the review

No.	Name	Title	Role
1.	Monica Odeny	Assistant Procurement Officer	Head of PU/Secretary TC
2.	Stephen O. Sewe	Director Finance and Administration	Member TC, PC and Chair Disposal Committee
3.	Milkah Odeny	Hospital Accountant	Member PC

4.	Dr. Juliana Otieno	Medical Superintendent	Accounting Officer
5.	Phanice Achioya	Pharmacy Storekeeper	Senior Storekeeper
6.	Dr. Evans Imbuki	Hospital Pharmacist	Member TC/Chairman Market Survey Committee
7.	Kennedy Omariba	District Accountant	Signatory to the Hospital's Accounts
8.	Dr. D.O. Raburu	Deputy Medical Superintendent	Chairman, Procurement Committee
9.	Paul Sikulu	Hospital Administration Officer	Deputizes the SHAO
10.	Charles Olwenge	Stationery and Equipments Storekeeper	Storekeeping and Clerical Works
11.	Lazarus Ouma	Clerical Officer I	Assisting on Tenders

1.5.4 Sampling

A total sample of 77 procurement transactions were selected in accordance with the procedures outlined in the Procurement Review Manual. The sampling method and scope was discussed with the Procurement Unit.

I.5.4.1 Details of the Samples Reviewed

I.5.4.1.1 Open National Tender {ONT}

No.	Date	Tender No.	LPO/ LSO No.	Item Description	PM	Category	Amount in KShs	Supplier	Country
1	01-Dec-08	PGH/TN/01/08-09	300715	Supply of Medical Drugs	ONT	Goods	82,500.00	*	Kenya
2	26-Feb-09	PGH/TN/01/08-09	676451	Supply of Medical Drugs	ONT	Goods	526,860.00	Winam Chemist	Kenya
3	26-Feb-09	PGH/TN/01/08-09	676452	Supply of Medical Drugs	ONT	Goods	44,500.00	Winam Chemist	Kenya
4	26-Feb-09	PGH/TN/01/08-09	676453	Supply of Medical Drugs	ONT	Goods	463,000.00	Harleys Limited	Kenya
5	26-Feb-09	PGH/TN/01/08-09	676454	Supply of Medical Drugs	ONT	Goods	167,959.00	MEDS	Kenya
6	23-Mar-09	PGH/TN/01/08-09	676472	Supply of Medical Drugs	ONT	Goods	200,000.00	Winam Chemist	Kenya
7	26-Feb-09	PGH/TN/01/08-09	676455	Supply of Medical Drugs	ONT	Goods	60,000.00	Eldo Hospital	Kenya
8	26-Feb-09	PGH/TN/01/08-09	676456	Supply of Medical Drugs	ONT	Goods	41,500.00	Sai Pharmacy	Kenya
9	26-Feb-09	PGH/TN/01/08-09	676457	Supply of Medical Drugs	ONT	Goods	70,000.00	*	Kenya
10	26-Feb-09	PGH/TN/01/08-09	676458	Supply of Medical Drugs	ONT	Goods	12,000.00	*	Kenya
11	26-Feb-09	PGH/TN/01/08-09	676459	Supply of Medical Drugs	ONT	Goods	40,410.00	*	Kenya
12	01-Dec-08	PGH/TN/01/08-09	300734	Supply of Medical Drugs	ONT	Goods	64,000.00	*	Kenya
13	01-Dec-08	PGH/TN/01/08-09	300736	Supply of Medical Drugs	ONT	Goods	95,000.00	Harleys Limited	Kenya
14	01-Dec-08	PGH/TN/01/08-09	300737	Supply of Medical Drugs	ONT	Goods	124,446.20	*	Kenya
15	01-Dec-08	PGH/TN/01/08-09	300717	Supply of Medical Drugs	ONT	Goods	91,500.00	*	Kenya
16	01-Dec-08	PGH/TN/01/08-09	300718	Supply of Medical Drugs	ONT	Goods	76,000.00	Harleys Limited	Kenya
17	01-Dec-08	PGH/TN/01/08-09	300719	Supply of Medical Drugs	ONT	Goods	20,499.00	*	Kenya
18	01-Dec-08	PGH/TN/01/08-09	300720	Supply of Medical Drugs	ONT	Goods	94,000.00	*	Kenya
19	01-Dec-08	TN/02/2008-09	300732	Non-pharmaceutical Material	ONT	Goods	116,250.00	Evawa Emporium	Kenya
20	11-Aug-08	TN/02/2008-09	666335	Non-pharmaceutical Material	ONT	Goods	440,400.00	Harleys Limited	Kenya
21	11-Aug-08	TN/02/2008-09	666336	Non-pharmaceutical Material	ONT	Goods	236,450.00	Winam Chemists	Kenya
22	01-Dec-08	TN/02/2008-09	300746	Non-pharmaceutical Material	ONT	Goods	41,800.00	*	Kenya
23	26-Nov-08	PGH/02/2/08-09	676106	Non-pharmaceutical Material	ONT	Goods	76,000.00	Harleys Limited	Kenya
24	17-Mar-09	PGH/02/08-09	792757	Non-pharmaceutical Material	ONT	Goods	266,000.00	Winam Chemist	Kenya
25	17-Mar-09	PGH/02/08-09	792758	Non-pharmaceutical Material	ONT	Goods	79,000.00	Alliance Logistics	Kenya
26	26-Feb-09	PGH/TN/03/08-09	676469	Supply of X-Ray Material	ONT	Goods	255,000.00	SurgPharm Limited	Kenya

No.	Date	Tender No.	LPO/ LSO No.	Item Description	PM	Category	Amount in KShs	Supplier	Country
27	17-Mar-09	PGH/03/08-09	792782	Supply of X-Ray Material	ONT	Goods	296,260.00	Philips Health Care	Kenya
28	23-Apr-09	PGH/07/06/08-09	676475	Purchase of Plant & Equipment	ONT	Goods	47,000.00	Samorco Emporium	Kenya
29	01-Dec-08	PGH/12/07/08-09	300714	General Office Supplies	ONT	Goods	48,000.00	*	Kenya
30	01-Dec-08	PGH/12/07/08-09	300731	General Office Supplies	ONT	Goods	49,500.00	*	Kenya
31	01-Dec-08	PGH/12/07/08-09	300739	General Office Supplies	ONT	Goods	70,520.00	*	Kenya
32	01-Dec-08	PGH/12/07/08-09	300741	General Office Supplies	ONT	Goods	6,700.00	*	Kenya
33	01-Dec-08	PGH/12/07/08-09	300742	General Office Supplies	ONT	Goods	9,100.00	*	Kenya
34	19-Dec-08	PGH/12/07/08-09	300743	General Office Supplies	ONT	Goods	60,000.00	Maryson Enterprises	Kenya
35	01-Dec-08	PGH/12/07/08-09	300744	General Office Supplies	ONT	Goods	37,200.00	Aringo Enterprises	Kenya
36	25-Feb-09	PGH/25/08-09	792789	Maintenance of Buildings	ONT	Works	3,625.00	Holey Engineering Works	Kenya
37	25-Feb-09	PGH/25/08-09	792785	Maintenance of Buildings	ONT	Works	46,770.00	Holey Engineering Works	Kenya
38	16-Apr-09	PGH/25/08-09	824252	Maintenance of Buildings	ONT	Works	25,790.40	Wall Mach Engineering	Kenya
39	16-Apr-09	PGH/25/08-09	824253	Maintenance of Buildings	ONT	Works	86,304.00	Wall Mach Engineering	Kenya
40	16-Apr-09	PGH/25/08-09	824254	Maintenance of Buildings	ONT	Works	77,290.80	Bekam Engineering	Kenya
41	16-Apr-09	PGH/25/08-09	824255	Maintenance of Buildings	ONT	Works	87,290.00	Bekam Engineering	Kenya
42	16-Apr-09	PGH/25/08-09	824256	Maintenance of Buildings	ONT	Works	135,470.00	Winzico Contractors	Kenya
43	16-Apr-09	PGH/25/08-09	824258	Maintenance of Buildings	ONT	Works	79,808.00	Winzico Contractors	Kenya
44	16-Apr-09	PGH/25/08-09	824260	Maintenance of Buildings	ONT	Works	42,850.00	Punjani Electrical & Indust.	Kenya
TOTAL							4,994,552.40		

*NB: The name of the supplier is not legible on the book copy of the LPO (the duplicate LPOs were not availed to the Review Team).

1.5.4.1.2 Requests for Quotations {RFQ}

No.	Date	Quotation No.	LPO/ LSO No.	Item Description	PM	Category	Amount in KShs	Supplier	Country
1	15-Dec-08	PGH/17/08-09	946672	Supply of Kuni Jiko	RFQ	Goods	291,276.00	Nachanjo Energy Jiko	Kenya
2	16-Dec-08	PGH/23/08/09	946673	Maintenance of Plant & Equipment	RFQ	Services	102,430.00	Whab Communication Services	Kenya
3	28-Apr-09	PGH/47/08-09	946679	Provision of Conference Facilities	RFQ	Services	105,000.00	Geneva Hotel	Kenya
4	23-Dec-08	PGH/29/08-09	676149	Purchase of Furniture	RFQ	Goods	671,553.00	Modern Furniture	Kenya
5	25-Feb-09	PGH/14/08-09	676133	Wooden Doors for Building R & M	RFQ	Works	57,188.00	Skylark Construction Ltd	Kenya
6	25-Feb-09	PGH/14/08-09	676134	Wooden Doors for Building R & M	RFQ	Works	25,114.00	Skylark Construction Ltd	Kenya
7	25-Feb-09	PGH/14/08-09	676135	Wooden Doors for Building R & M	RFQ	Works	30,160.00	Skylark Construction Ltd	Kenya
8	23-Mar-09	PGH/37/08-09	676473	Purchase of Booster Pump	RFQ	Goods	229,738.00	Davies & Shirtliff	Kenya
9	23-Mar-09	PGH/34/08-09	676471	Purchase of Air Conditioner	RFQ	Goods	248,500.00	Modern Furniture	Kenya
10	15-Aug-08	PGH/50/08/09	666340	Printing and Supply of Medical Records	RFQ	Goods	131,100.00	National Printing Press	Kenya
11	11-Aug-08	PGH/50/08/09	666342	Printing and Supply of Medical Records	RFQ	Goods	127,750.00	Pixel Printers	Kenya
12	16-Apr-09	PGH/50/08-09	824257	Printing and Supply of Medical Records	RFQ	Goods	30,000.00	Pixel Printers	Kenya
TOTAL							2,049,809.00		

1.5.4.1.3 Direct Procurements {DP}

No.	Date	Item Description	LPO/ LSO No.	Amount Paid in KShs	Supplier	Cheque No.
1	07th July 2008	Gas	–	114,102.40	Boc Gases	005889
2	07th July 2008	Gas	–	138,937.00	Boc Gases	005892
3	03rd October 2008	Gas	–	155,840.00	Boc Gases	00626061
4	4th October 2008	Gas	–	77,047.20	Boc Gases	006165
5	19th September 2008	Gas	–	70,830.78	Boc Gases	006158
6	11th November 2008	Gas	–	160,482.00	Boc Gases	006082
7	20th February 2009	Gas	–	272,494.00	Boc Gases	006858
8	30th September 2008	Gas	–	123,811.00	Boc Gases	006203
9	30th April 2009	Gas	–	86,200.00	Crown Gases	–
10	01st September 2008	Water Dispensers	605143	46,800.00	Supa Brewers Ltd	–
11	30th October 2008	Purchase of Lab Equipment	676126	22,950.00	Chem-Labs Limited	–
TOTAL				1,269,494.38		

1.5.4.1.4 Low Value Procurements {LVP}

No.	Date	Item Description	A/C Code	PCV No.	Amount in KShs
1	23/09/2008	Contracted Professional Services	2211310	8	45,000.00
2	23/09/2008	Food and Rations	2211015	14	21,069.00
3	24/09/2008	Maintenance of Buildings and Stations	2220205	12	34,550.00
4	12/11/2008	Refined Fuels and Lubricants-for Transport	2211201	1	32,150.00
5	10/02/2009	Purchase of Therapy Appliances	3111114	4	15,895.00
6	10/02/2009	Casual Labour	2110202	6	23,120.00
7	10/02/2009	Dressing and other Pharmaceutical Medical Items	2211002	2	12,200.00
8	10/02/2009	Purchase of Computers, Printers and other IT Equipments	3111002	3	25,000.00
9	04/03/2009	Maintenance of Plant, Machinery and Equipment	2220201	6	29,232.00
10	04/03/2009	Maintenance of Buildings and Stations	2220205	4	43,930.00
TOTAL					282,146.00

I.5.4.2 Distribution of the Procurement Methods in the Samples Reviewed

No.	Procurement Method	Sample Size	Value Sample (KShs)
1.	Open National Tenders {ONT}	44	4,994,552.40
2.	Request for Quotations {RFQ}	12	2,049,809.00
3.	Direct Procurements {DP}	11	1,269,494.38
4.	Low Value Procurements {LVP}	10	282,146.00
TOTAL		77	8,596,001.78

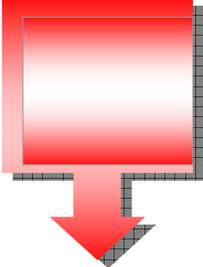
The review team estimated compliance level they would be looking for at 50% and the probability of non-conformity to be **99.61%**. The number of contracts, which were selected for review in order that a realistic review report is achieved, included all departments, procurement methods and categories or procurement functions. With random selection of eight procurement activities, there is a high probability of finding one transaction, which does not comply with the Act and the Regulations. This sampling table is adapted from European Standards EN45503.1996.

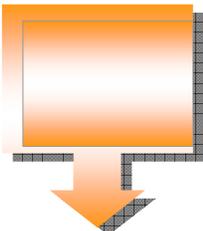
Number of samples	Estimate initial compliance with Public Procurement and Disposal Act 2005									
	10	20	30	40	50	60	70	80	90	100
Probability of finding a sample which does not comply with PPDA 2005 %										
3	99.90	99.20	97.30	93.60	87.50	78.40	65.70	48.80	27.10	0
4	99.90	99.84	99.19	97.44	93.75	87.04	75.99	59.04	34.39	0
5	100	99.97	99.76	98.98	96.88	92.22	83.19	67.23	40.95	0
6	100	99.99	99.93	99.59	98.44	95.33	88.24	73.79	46.86	0
7	100	100	99.98	99.84	98.44	97.20	91.76	79.03	52.17	0
8	100	100	99.99	99.93	99.61	98.32	94.24	83.22	56.95	0
9	100	100	100	99.97	99.80	98.99	95.96	86.58	61.26	0
10	100	100	100	99.99	99.90	99.40	97.18	89.26	65.13	0

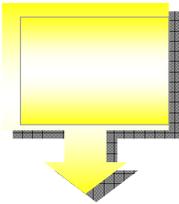
The low level of estimated compliance level was based on the discussion with the head and staff of the PU on the overall management and organization of procurement functions in NNPGH. The PE staff members handling the procurement related functions have not undergone sensitization training on the PPDA 2005 and the related regulations because they did not attend the MCA-TP training workshops, although they were invited by PPOA to do so.

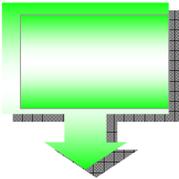
1.5.5 Rating Criteria

The reviewed procurements were categorized according to the procurement/disposal deviation rating criteria, as discussed with the Head of the Procurement Unit. These are general criteria as developed in the Procurement Review Manual and are applied to all Procuring Entities in the course of a procurement review. The extent of deviation is grouped under four ratings, namely:

<p>Major Deviation (DDD)</p> 	<p>Where the major requirements of the PPDA and PPDR were not adequately followed. This could cause material, financial loss or carry risk for the regulatory system or the entity's reputation. These cases include deficiencies in the structures and systems to implement the law and regulations, or where the procedures have been so flawed that there is severe risk of mis-procurement or procurement fraud such as:</p> <p>Procuring entity is not established and operational; Procurement procedures are not integrated within the financial framework of the entity; Main structures are not appointed and operationalised e.g.</p> <ul style="list-style-type: none"> • Accounting Officer • Tender Committee • Procurement Unit • Procurement Committee • Disposal Committee • Inspection and Acceptance Committee • Tender Opening Committee • Evaluation Committee. <p>Coverage not complete</p> <ul style="list-style-type: none"> • Procurement • Contract management • Disposal • Goods, works and services <p>Standard and specific committees not meeting as stipulated; No consolidated procurement plan linked to approved budget; No disposal plan; Lack of procedures for making procurement decisions; Not adhering to the threshold matrix;</p> <p>Open tenders not advertised as provided for in the Act and Regulations; Choice of improper procurement procedures; Procurements split or inflated; Contracts are not awarded to qualified person; Unjustified termination of procurement proceedings;</p> <p>Lack of approved pre-qualified list for suppliers; Lack of annual disposal plan; Inappropriate influence on evaluation; Inadequate protection of confidential information; Lack of comprehensive procurement records; Restricted /direct procurement tendering not approved by TC; Tender committees not meeting as required;</p>
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	<p>Tender evaluation committees not appointed in accordance with the Act; Standard tender documents not used; Not reporting to PPOA as required; External observers not invited for large contracts; Failure to advertise bid opportunities for contracts above certain value thresholds; Many key procurement records that are stipulated by law for retention are missing;</p> <p>Such cases warrant immediate attention by the Accounting Officer.</p>
<p>Moderate Deviation (DD)</p> 	<p>Where procurement procedures were considered to have significant omissions or deviations, including:</p> <p>Some procurement records are missing; Lack of central comprehensive procurement files; Open tenders not the main method of procurement; Procurement unit not functioning as per the regulations; Lack of signatures on key minutes; Choice of selection procedure not justified; Consolidated Annual Procurement plan not updated; Contracts awarded not from the approved list of suppliers; Contracts over Kshs 5million not reported to PPOA; Criteria for the evaluation of proposals not specified in the tender documents; Award Letter missing; Description of goods, works or services in the bid not adequate; Direct procurement is created by dilatory conduct of the PE; Disposal procedures not followed; Entities with recurring or ongoing requirements have not analyzed their medium to long term needs to adopt long-term arrangements or framework contracts; No evidence of analysis of bid documents by Tender Evaluation Committee; No evidence of award by Tender Committee; Lack of evidence of commencement certificate in contract missing; Lack of evidence of contract being countersigned by AO; Evidence of performance bond not in the contract file; No evidence of the use of weighting in the award criteria in tender documents; Inspection and acceptance certificates confirming delivery not available; No justification/Authorization for Applying the method; No authorized procurement requisitions; No schedules of duties for initiating, certifying and approving officers; Non-disclosure of tender evaluation details;</p>

	<p>Lack of notice of invitation of expressions of interest and preparation of shortlists for RFPs; No specified period of validity of tenders; Unjustified modification and withdrawal of tenders; Prequalification proceedings not adequate; Absence of award criteria in tender documents; Absence of procurement requisitions; Record of procurement proceedings not comprehensive; Lack of justification for direct and restricted procurement; Termination of procurement proceedings not reported to PPOA; and Inadequate oversight by internal auditor.</p> <p>These weaknesses warrant immediate attention of the senior management.</p>
<p>Minor Deviation (D)</p> 	<p>Where procurement practices and procedures conformed to most regulations, though there were deviations, which are relatively small in quantity, size or degree and are low in risk. These weaknesses warrant immediate attention of the procurement unit or user department. The deviations include:</p> <p>Absence of an Award Letter in procurement file; Absence of authorization Date of LPO; Absence of Invoice copy in the procurement file; Absence of LPO Authorization; Absence of LPO or LSO in the procurement file; Absence of Payment Voucher copy in the procurement file; Absence of Procurement Request in the procurement file; All tenderers not informed of the result of a tendering process in accordance with the law; Anti corruption mechanisms not defined and published; Commencement of contract date missing; Date of evaluation committee report or recommendation letter missing; Date of the bid opening missing; Date of the TC meeting awarding the contract missing; Evidence of award by Tender Committee not in file; No evidence of contract being countersigned by AO in procurement file; Evidence of performance bond in the contract file missing; Goods or Services Received Note missing in file; Inadequate monitoring of contracts awarded; Incomplete procurement plan; Methods and criteria for selecting firms and for awarding contracts are not documented; Records are available but not in the procurement file; and Time limits for replies not adhered to.</p>

	These weaknesses should be addressed by senior management as part of an ongoing improvement plan.
Satisfactory Performance (SP) 	Where procurement practices and procedures met the requirements of the law and regulations and were considered to meet standards of good practice.

1.5.6 Exit Meeting

Before the conclusion of the review assignment, an Exit Meeting with the Institution's management team was held on 19th January 2010 to discuss the review findings and recommendations, and to agree on the action plan and follow-up review. Mr. Peter Ndung'u, the Acting Deputy Manager Compliance Department, led the PPOA team at the exit meeting while Mr. Joseph Kimani led the Consultants review team (Wachira Irungu & Associates/Gath consulting Engineers). Dr. Juliana Otieno led NNPGH's team comprising Procurement Officer and other staff handling procurement related functions.

1.6 Limitation of Scope

The scope of our review was limited by the following:

- a) The head of the PU was not available for most of the review dates due to personal matters and therefore the flow and availability of information was adversely affected;
- b) There was no proper delegation of duties in case a Head of Departmental had pressing matters to attend to as witnessed in the cases of the Head of the PU and Senior Storekeeper. Those left behind to take charge could not assist the review team;
- c) There was lack of co-operation from some of the procurement staff who in several cases could not avail the required documents;
- d) Fragmented functions of the procurement in various departments made it difficult for the team to obtain documents, information and data necessary for the review;
- e) Lack or incompleteness of records, data and documentation relating to the procurement transactions selected;

- f) Because of the general disorganized storage and absence of a reliable records control system, document location and retrieval in the PU was difficult;
- g) Inability to verify the authenticity of some of the documents sampled;
- h) Lack of documented organizational internal control manuals relating to initiation, certification and approvals at various levels; and
- i) Inability to verify the authenticity of the documents sampled against authorized official schedules of responsibilities.

2.0 BACKGROUND AND ORGANIZATION OF NNPGH

2.1 Preamble

New Nyanza General Hospital has been in existence for over 100 years, having been established in the early 1900s to cater for the health needs of the workers at the then port town of Kisumu. Since then, it has grown over the years to become the referral hospital for the province serving over 12 district hospitals in Nyanza and also the neighboring districts in Western Province and Rift Valley Province (Nandi district). Its main mandate has been to provide curative and preventive health services and to perform other services as provided by the Ministry of Health.

NNPGH's inception was largely influenced by the high malaria presence and other diseases in the then Port Florence which necessitated the creation of a facility to cater for the black population. It was first established as a district hospital. Due to racial segregation reminiscent of the colonial era, Victoria Hospital was established in 1932 to cater for the white population and a small wing was also created to cater for the Asian community. The Victoria Hospital was initially left to the Catholic Church by the colonial government but later reverted to the government and is currently the amenity wing of NNPGH.

Currently NNPGH serves a catchment with a population of over 5 million people in three provinces namely Nyanza, Western and Rift Valley. The hospital receives about Kshs 16 million per annum from the central government and a further Kshs 48 million is generated through cost sharing. However, it continues to offer specialized services such as surgery, pediatrics, ophthalmology, ENT, radiology, pathology and oncology among others. It is the only public hospital in Western Kenya that has an Intensive Care Unit (ICU). It also has six operating theatres. The hospital has also taken on board research and training as important activities in recent years.

2.2 Mandate of NNPGH

NNPGH's main mandate is to provide excellent, accessible and acceptable curative and preventive healthcare services to the public, carry out research and medical training, serve as an effective referral unit and perform other services as provided by the Ministry of Medical Services.

2.3 Vision of NNPGH

The vision of NNPGH is to be an exemplary center of excellence in quality healthcare provision, research, training and an effective referral unit in East and Central Africa region.

2.4 Mission of NNPGH

The mission of NNPGH is to provide excellent, accessible and acceptable healthcare services to the public professionally in a friendly environment and participate in research and medical training.

2.5 Values of NNPGH

In pursuit of the above NNPGH mission, the institution is guided by fundamental beliefs and values which are:

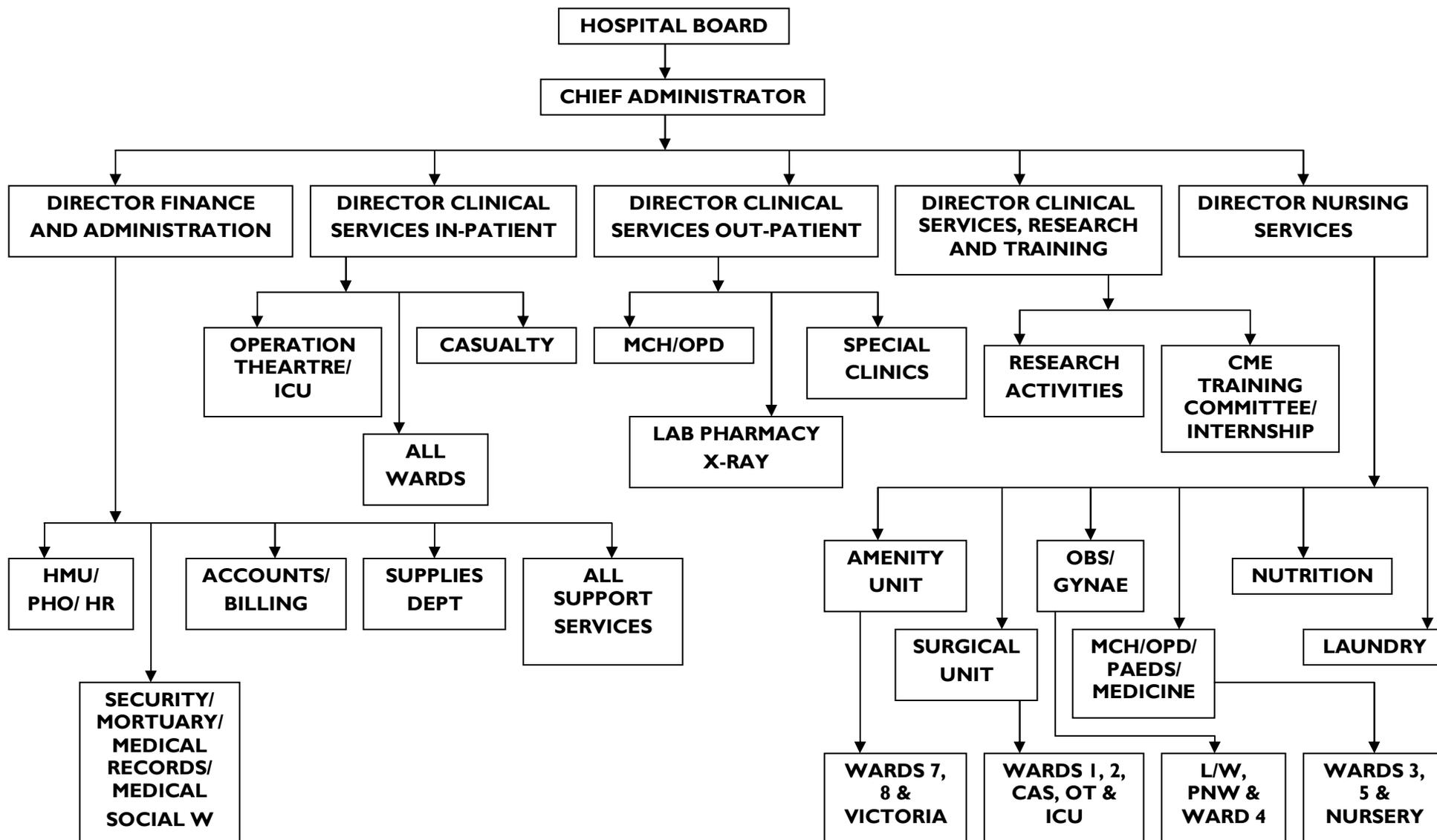
- i) *Team Work*: Endeavor to promote team spirit and at the same time seek to reward individual effort;
- ii) *Professionalism*: Uphold the highest standards and professional ethics as a basis of ensuring clients get the best possible quality services, the basis for continued success;
- iii) *Commitment with Compassion*: To care for the wellbeing of clients and treat them with utmost care and sensitivity;
- iv) *Environment Friendliness*: Endeavor to provide services while at the same time caring for the environment, encourage the customers to provide support in this endeavor by conducting themselves in an environmentally responsible way; and
- v) *Equity and Patriotism*: Strive to ensure services are within reach of different socio-economic segments of the population and seek to deliver equitable health benefits in line with national philosophy.

2.6 Functions of NNPGH

The functions of NNPGH may be summarized as follows:

- i) Provision of curative health services, including pharmaceutical, laboratory, X-ray and rehabilitative services;
- ii) Provision of preventive/promotive services;
- iii) Provision of reproductive health services, including maternity and family planning services;
- iv) Provision of child health services, including Integrated Management of Child Illness (IMCI), Nutrition/Growth Monitoring and Expanded Program on Immunization (EPI) services;
- v) Combating TB, HIV/AIDS, Malaria and other diseases;
- vi) Provision of referral services;
- vii) Participating in medical research;
- viii) Provision of medical training;
- ix) Ensuring environmental sustainability.

2.7 Organizational Structure of NNPGH



2.8 Income and Funding Grants

Funds Allocation FY 2008/2009

No.	AIE No.	Date	Date Received	Quarter	Amount in KShs	From
1.	R11/NY/317/6174/A3	05/01/2009	06/05/2009	3RD	388,059.00	From Chief Finance Officer
2.	HCSF/08/09P GH/Q4/(1)	28/03/2009	03/04/2009	4TH	14,893,344.00	From Internal Resources
3.	R11/NYA/316/6152/A3	10/12/2008	25/03/2009	3RD	4,245,290.00	From Chief Finance Officer
4.	HCSF/08/09/P GHNYZ/(3)	13/02/2009	16/02/2009	3RD	16,871,128.00	From Internal Resources
5.	R11/NYZ/316/6152/V/A2	25/09/2008	05/01/2009	2ND	5,487,859.00	From Chief Finance Officer
6.	R11/NYZ/317/6174/A2	03/10/2008	08/01/2009	2ND	513,679.00	From Chief Finance Officer
7.	R11/NYZ/317/6174/A1	08/07/2008	29/09/2008	1ST	556,966.00	From Chief Finance Officer
8.	R11/NYZ/316/6152/A1	08/07/2008	29/09/2008	1ST	5,866,529.00	From Chief Finance Officer
9.	HCSF/PGHNYZ/08/09/(2)	29/07/2008	30/07/2008	1ST	15,778,241.00	From Internal Resources
TOTAL					64,601,095.00	

2.9 Standing and Specific Committees

The status of all the standard standing and specific committees are as follows;

Name of Committee	Nature	Status
Tender Committee	Standing	Complying with the Procurement Regulations
Procurement Committee	Standing	Complying with the Procurement Regulations
Tender Opening	Specific	Complying with the Procurement Regulations
Evaluation Preliminary	Specific	Complying with the Procurement Regulations
Evaluation Technical	Specific	Complying with the Procurement Regulations
Evaluation Financial	Specific	Complying with the Procurement Regulations
Inspection and Acceptance	Standing	Complying with the Procurement Regulations
Disposal	Standing	Complying with the Procurement Regulations

3.0 GENERAL FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

During the period under review, New Nyanza Provincial General Hospital undertook 501 procurements of total value of Kshs 42,680,373. There were no disposals during the period.

In order to provide an overall reflection of better picture of the level of compliance, the team selected a sample of 77 procurements of total value of Kshs. 8,596,002.

3.1 Legal Framework

The Public Procurement and Disposal Act (PPDA) 2005 and Public Procurement and Disposal Regulations (PPDR) 2006 have largely been adopted and are operational in New Nyanza Provincial General Hospital. Given the observed low level of sensitization and training of the procurement staff at NNPGH, the review team has got some reservations on whether those persons involved in the functions relating to procurement understand thoroughly the provisions of the Act and Regulations.

3.2 Institutional Structures and Capacity

Findings

All key personnel handling functions related to procurement are in place at NNPGH. The Procurement Officer, Ms. Monica Odeny, and the chairman of the Procurement Committee Dr, D. O. Raburu, attended a sensitization and training course in the Public Procurement Act and Regulations conducted in 2008 by PPOA at the Government Training Institute (GTI) Mombasa. All the other personnel handling functions related to procurement have so far not undergone any sensitization training on the Act and the Regulations.

Recommendations

There is need to improve NNPGH's institutional capacity by ensuring that all personnel involved in procurement related functions undergo sensitization training in Public Procurement and disposal Act 2005 and the related regulations.

Responses

We agree with consultants' findings and recommendations. We have organized for internal sensitization training for the personnel involved in procurement related functions on 31st March 2010. With the assistance of PPOA, we also plan to conduct external sensitization training by 31st May 2010.

3.3 Procurement Unit

Findings

The procurement unit (PU) is established in accordance with the PPDA Section 26 (4). However, the PU is not staffed with adequately qualified and experienced personnel in line with the requirements of Section 26 (8) and (9) of the Act.

Procurement Staff

Name of Staff	Designation	Qualifications
Monica Odeny	Procurement Officer	B.Com and Diploma in Business Administration
Phanice Ashioya	Senior Storekeeper	Proficiency in Stores Option & Certificate in Storekeeping
Charles Olwenge	Storekeeper - Equipment	Proficiency in Accounts Option
Robert Menya	Stores Assistant - Rations	Certificate in Boiler Maintenance

The organization has neither established nor put in place a training policy or work plan to ensure continued development of skills and professionalism in the supply chain management for the procurement personnel.

In addition, it was observed that the PU is also currently not fully autonomous from the District Procurement Office. All LPOs raised by NNPGH have to be approved by the District Procurement Officer prior to being forwarded to the tenderers, in order to ensure payment for the respective goods or services. This often lengthens the procurement lead time.

Recommendations

NNPGH should ensure that the PU is staffed with adequately qualified and experienced personnel in accordance with Section 26 (8) and (9) of the Act. A procedural requirement should also be implemented to ensure all the personnel involved in procurement related functions undergo sensitization training in the Public Procurement and Disposal Act 2005 and the related Regulations.

In order to ensure efficiency and full accountability, there is need to give NNPGH's PU full autonomous from the District Procurement Office.

Responses

We agree. As mentioned earlier the sensitization training has already been scheduled. NNPGH will consult PPOA on the issue of achieving full autonomy from the District Procurement Office.

3.4 Budgeting and Expenditure

Findings

Budget rules, regulations, and financial procedures that support timely procurement, contract execution, and payment are inadequate. The procuring entity did not prepare a procurement plan as part of the financial year 2008/09 annual budget preparation process as stipulated in the PPDA Section 26 (3) (a) and Regulation 20 (1) of the PPDR. There was also no evidence that the heads of departments submitted their annual procurement plans to the Accounting Officer at least thirty days before the close of each financial year as stipulated in Regulation 20 (4) of the PPDR.

Recommendations

NNPGH should establish an appropriate budget for all procurement activities projected in the annual consolidated procurement plan.

Responses

We have noted the consultants' findings and recommendations. The annual consolidated procurement plan will be prepared, ready for implementation, by 30th June 2010.

3.5 Procurement Plans

Findings

NNPGH did not prepare the annual procurement plan for the period under review as stipulated in the Act, 26 (3) (a) and the Regulation 20 and 21 of the PPDR. It is also not apparent whether the User Departments prepared the relevant procurement plans for their departments and forwarded the same to PU for consolidation.

Recommendations

The departmental procurement plans are very useful as a planning or monitoring tool, and hence:

- i) All heads of departments of NNPGH should prepare and submit their annual procurement plans to the AO or the principal at least thirty days before the closure of each financial year in accordance to PPDA Section 3(a) and PPDR Regulation 20(4).
- ii) All procurement plans should be directly linked to a budgetary framework or should be based on approved budget.
- iii) A master procurement schedule, showing the target dates for procurement related activities and the actual progress achieved, should be generated to serve as a communication tool for future procurement planning and subsequent progress tracking.
- iv) The procurement plan should be updated continuously to meet changing needs and changes in budgetary provisions.
- v) All future procurement requests should be linked to the consolidated annual procurement plan.

- vi) NNPGH should train all PU staff on how to prepare procurement plans using templates approved by PPOA.

Responses

We agree with the above findings and recommendations. The Departmental procurement plans will be prepared and submitted to the PU for consolidation by 31st May 2010.

3.6 Purchase Requisitions and Authorization

Findings

NNPGH does not use official standard procurement requisition forms (PPDR, third schedule No 9) for the initiation of the procurement transactions reviewed. Hand-written, and sometimes typed, internal memos from the user departments addressed to the PU initiate all purchase requests. In addition, there is no evidence of separation of responsibilities for initiating, certifying, and approving authorities. There is no budget line indicated on the requisition memos to show source, allocation, and availability of funds in the budget for particular procurement, or authority to incur expenditure for the purchases requested.

In addition, on receipt of the approved purchase requisition, the procuring entity did not prepare a procurement plan (*Regulation 22 (5)*) for each individual procurement requirement, which should have included an estimate of the time required for each stage in the procurement cycle.

Recommendations

In future all procurement requests should be initiated through the official standard purchase requisition approved by PPOA, which should be duly authorized and linked to a consolidated procurement plan and approved budget.

In addition, there should be a budget line indicated on the purchase requisitions to show source, allocation and availability of funds in the budget for a particular procurement, AIE for the purchases being requested and authorization. The information on the documentation should be similar to that on the Vote Book Certificate on the payment voucher namely:

- Budget Vote item number;
- Total amount budgeted;
- Accumulated plus commitment;
- Amount requested;
- Balance carried forward; and
- Signed by AIE holder.

Responses

We agree with the above findings and recommendations. This is already being implemented.

3.7 Operations and Procedures Manual

Findings

NNPGH has not developed and put in place operational policies, procedures and guidelines manual in accordance with PPDA Section 26 (3) (c) which provides that that different officers should handle different functions in respect of procurement initiation processing and receipt of goods works and services.

The operations and procedures manual in place is the one utilized by the finance department on Public Financial Procedures and Regulations issued by Ministry of Finance.

In absence of an internal updated handbook outlining schedules of duties, it was not possible to verify the persons authorized to originate, certify and approve various stages of the procurement process from inception to completion contrary to regulation 27(4) of PPDR 2006.

Recommendations

The PE should prepare detailed operational procedures, guidelines and standard conditions of contract administration specific to NNPGH.

Responses

We agree with the consultants' findings and recommendations. We will develop the operational policies, procedures and guidelines manual by 31st December 2010.

3.8 Procurement Manual

Findings

NNPGH has not developed and put in place a manual (pursuant to PPDA 2005 Section 9 (c) (i) and Regulation 30 of procurement policies and procedures that sets out the procurement policies, procedures, instructions and regulations that NNPGH employees must adhere to in matters relating to procurement.

Recommendations

NNPGH should customize and implement the sectoral Procurement Manual issued by PPOA for instructing and guiding the personnel involved in the procurement process. Such a manual is meant to strengthen financial and oversight management procedures that should be observed at various levels of procurement management process. The same would also ensure linkages between procurement procedures with PPDA and PPDR and the financial functions. The manual aims:

- i) To disseminate good practice in public sector procurement, including guidance on roles and responsibilities, procurement strategies and the appointment process, health and safety, design quality and sustainability;
- ii) To deliver value for money and sound financial management; and
- iii) To achieve compliance with procurement law and regulations including PPOA circulars and guidelines.

Responses

We agree with the consultants' findings and recommendations. We will customize the sectoral procurement manual developed by PPOA and implement the same by 31st December 2010.

3.9 Separation of Powers/Functions

Findings

The review team did not find any updated schedules of duties in NNPGH outlining separation of functions. It is therefore difficult to determine whether there is clear separation of powers for those undertaking initiation, processing and receipt. Different officers should handle different functions in respect of procurement initiation, processing and receipt of goods, works and services.

Recommendations

The principal or the AO should reorganize the structures and functions of the PU and the user departments so that they operate within PPDA and PPDR. Those involved in the procurement process should understand their roles and what is expected of them.

Responses

We have noted the above findings and recommendations. This will be implemented by 31st May 2010.

3.10 Registration of Suppliers

Findings

The organization has in place a list of registered suppliers for solicitation of RFQ and LVP bids, which was obtained through an open national tender in accordance with the procedures stipulated in Regulation 8 (3) (a). However, there is no evidence that the PE verified the documents provided by bidders with the Registrar's office and/or Kenya Revenue Authority to determine their validity.

The review team also noted that the list did not cover all the categories of goods and services frequently procured by NNPGH. The PPDR allow NNPGH to either establish its own list or use

lists established by other PEs. There were occurrences where the bidders invited were not from the established register of suppliers.

Recommendations

NNPGH should reduce the number of RFQs required and shorten the length of RFPs by using registered {PPDR Regulation 8(3) (a)} and pre-qualified {PPDR Regulation 23-25} suppliers. The procurement unit should also improve their systems to shorten the procurement process through having a list of pre-qualified suppliers for quick response times, reduced costs and achievement of value for money. The PE should as much as possible stick to the approved list of pre-qualified suppliers when inviting quotations.

Responses

We have noted the above findings and recommendations. The list of pre-qualified suppliers will be in place by 30th June 2010.

3.11 Procurement Spend Analysis

Findings

On commencement of the review, the review team was not provided with aggregate spend data (population) and spend visibility for the period, broken down into the various procurement methods used, to facilitate the selection of representative sample(s) for review and verification purposes. Despite the review team pulling out of the field audit for two (2) weeks to give NNPGH ample time to prepare and put their house in order, the required information was still not provided on resumption of the field review.

It should be appreciated that procurement spend analysis and spend visibility provides the necessary foundation for procurement unit seeking to make better, more informed procurement decisions. This enables the entity to improve strategic sourcing efforts, track contract compliance with regulations, limiting inappropriate expenditure and expand procurement operations and procurement scope.

By analyzing reports generated from expenditure data, stakeholders within and outside the institution can discover what NNPGH is procuring, who they are procuring from (and at what cost), how frequently they are procuring and which category of works, goods or services are being procured.

In order to facilitate the field review, the team had to analyze and prepare the procurement spend analysis themselves, thereby spending a lot of valuable audit time in preparing information that the PE was best placed to provide.

Recommendations

- i) The Procurement Unit should institute a central control register for the purchase requisitions initiated from various departments.
- ii) The procurement unit should complete the data collection and extraction as requested by the review team and organize the same in the format sent together with the engagement letter, for comparison with the one prepared by the review team and future use.

Responses

We agree with the consultants' findings and recommendations. This has already been done.

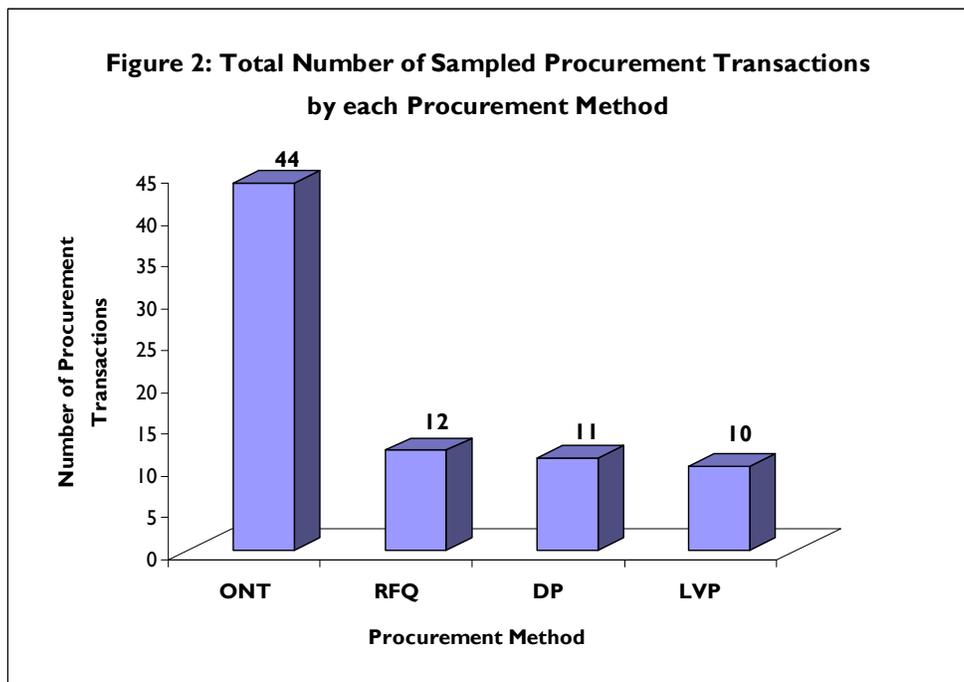
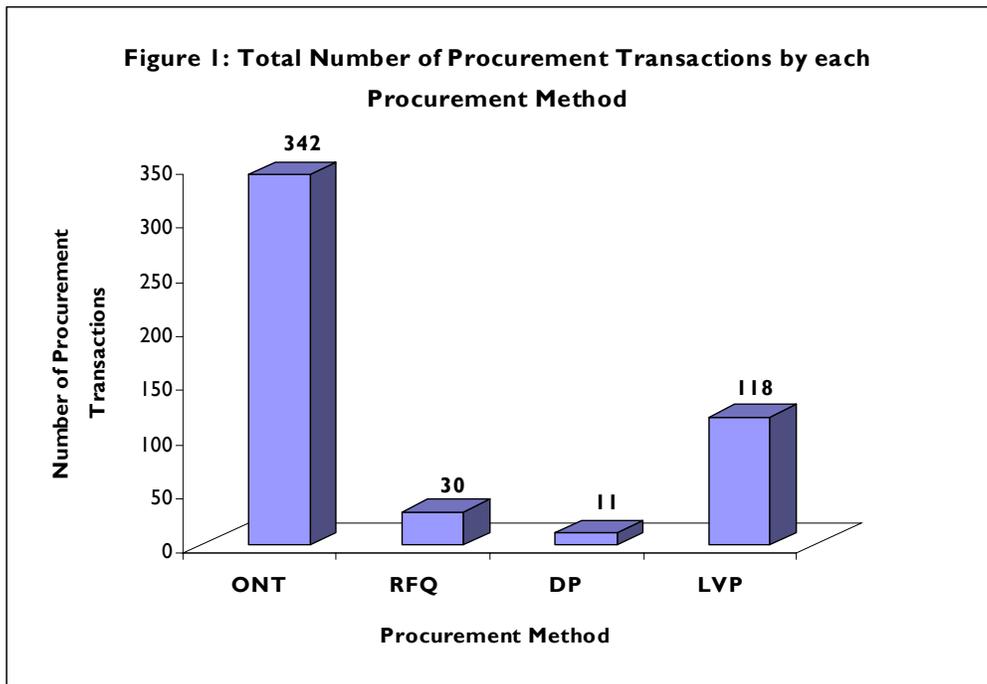
3.12 Procurement Volume

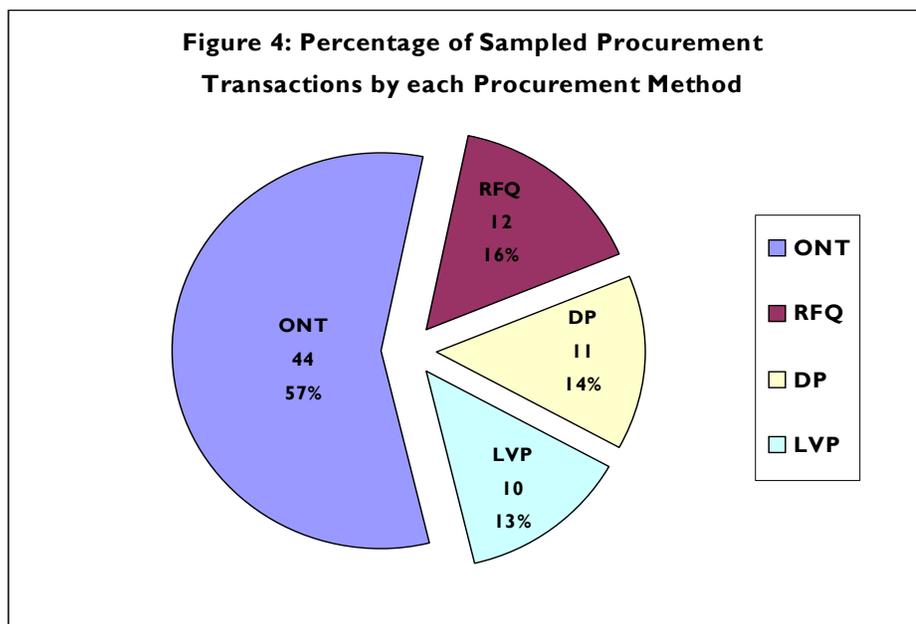
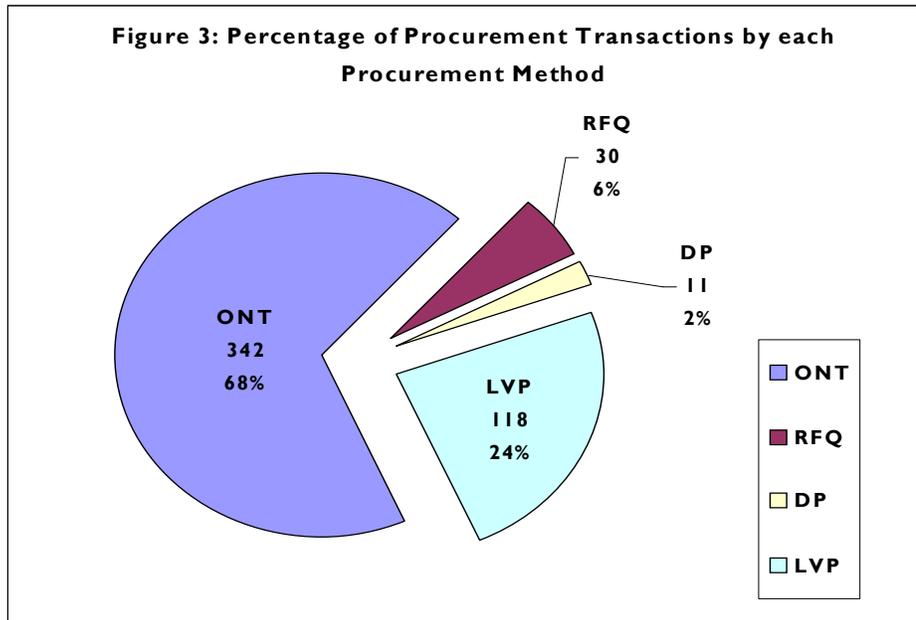
Findings

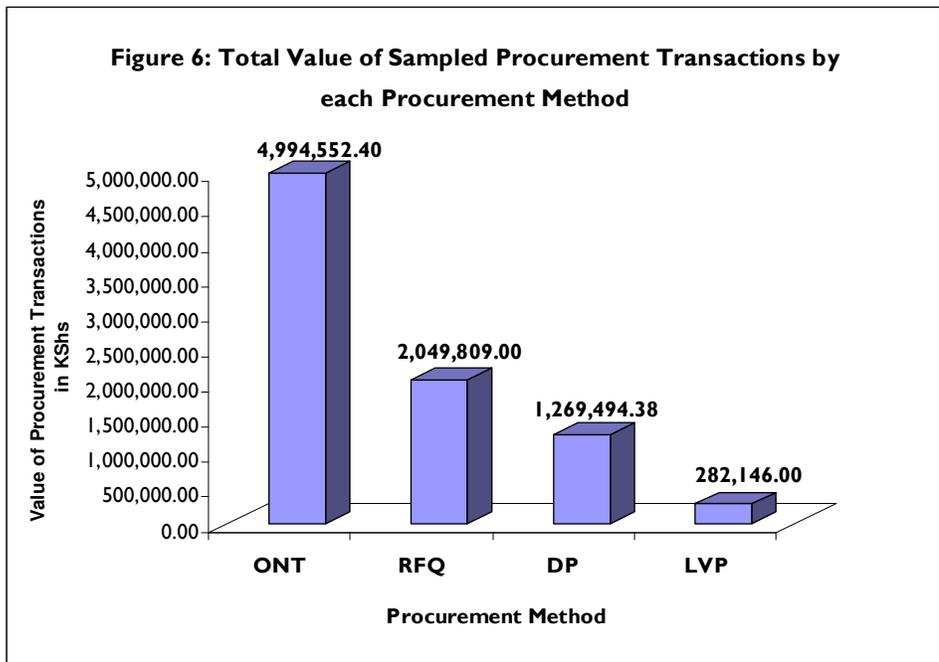
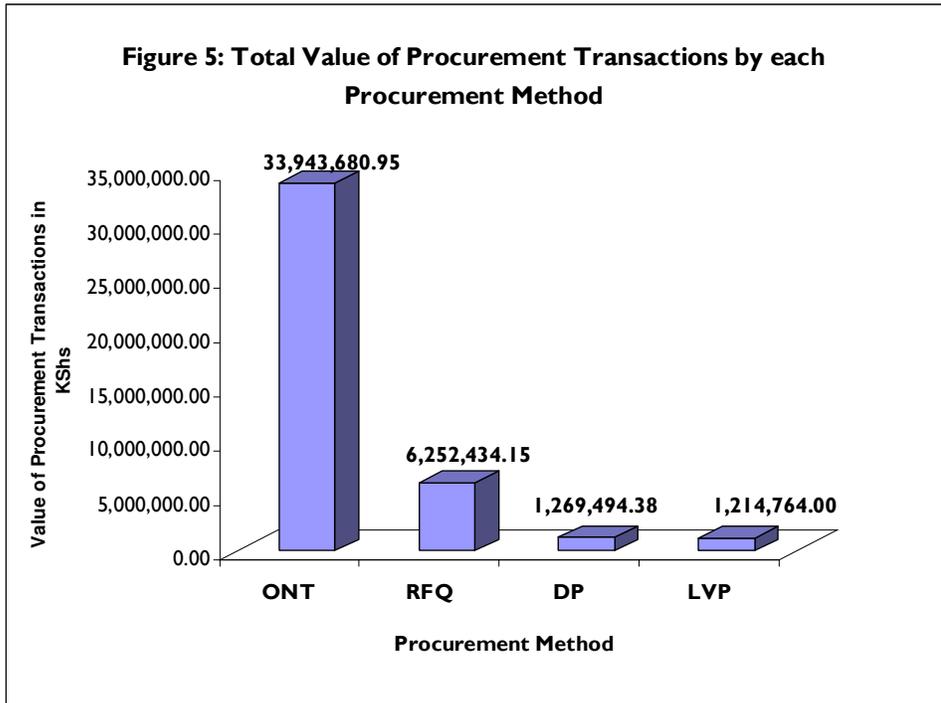
During the period under review, the Institution undertook approximately 501 procurement transactions of goods and services of Kshs 42,680,373.

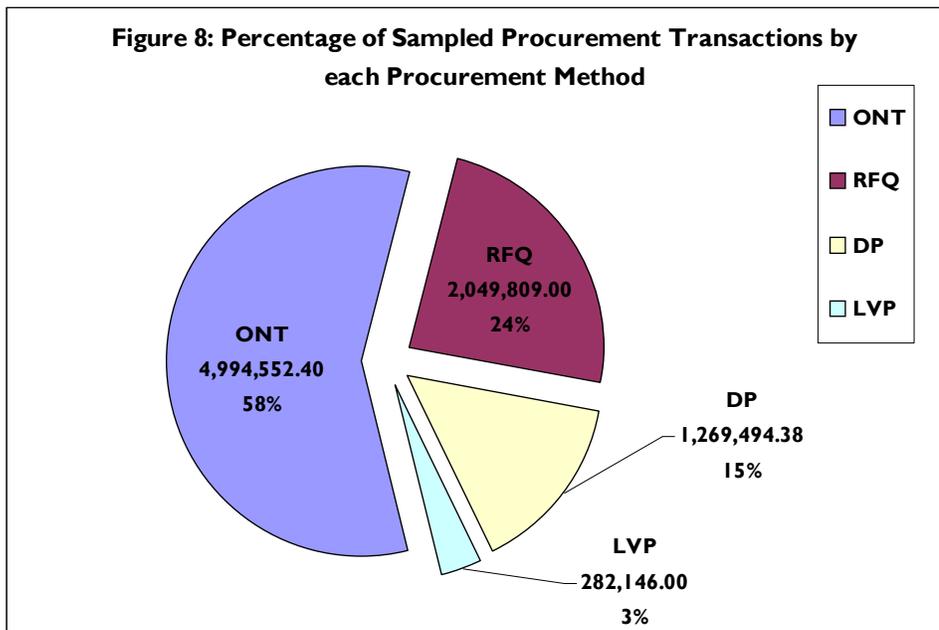
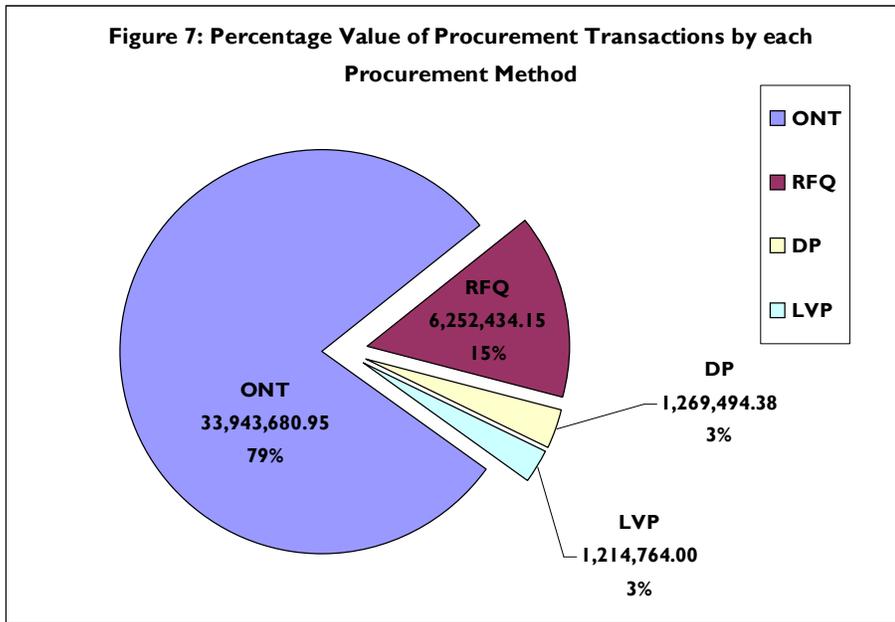
Total number and value of transactions by method of procurement

Type of Procurement method	Number	Value (Kshs)
Internal Shopping Procurement (ISP)	-	-
Open National Tender (ONT)	44	33,943,681
Restricted Tender (RT)	-	-
Request for Quotation (RFQ)	12	6,252,434
Request for Proposal (RFP)	-	-
Direct Procurement (DP)	11	1,269,494
Low Value Procurement (LVP)	10	1,214,764
TOTAL	<u>77</u>	<u>42,680,373</u>









3.13 Record Keeping and Management

Findings

The filing system, record keeping and management was observed to be extremely weak. None of the reviewed tenders/request for quotations for the period had complete information pertinent to the tender in question. A lot of data needed for verification purposes were either missing or incomplete thereby highly compromising the accuracy of information.

The procurement documents are not properly organized but are fragmented and scattered in a number of different user departments, the District Accountant's office, files, drawers and cartons therefore access and retrieval is difficult. This weakness stems from the fact that control and care for records has not been assigned to any specific person. The practice in NNPGH and most particularly in the Procurement Unit is for officers to keep official documents and papers in unofficial files, personal folders, drawers and cartons.

NNPGH is therefore not compliant with the Section 45 (6) of the Public Procurement and Disposal Act that requires an entity to maintain a proper filing system with clear links between procurement and expenditure files.

Recommendations

NNPGH should comply with Section 45 (6) of the PPDA and Regulation 34 (3) of the PPDR that requires PEs to maintain comprehensive file(s) for each procurement activity.

It is important to ensure that a comprehensive file is maintained for each procurement activity in line with the requirements of Section 45 of the PPDA and Regulation 34 (3) of the PPDR. 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. Evidence for payment of goods should be in form of a certified copy of the payment voucher, together with the payment cheque number.

The papers in the file should be maintained in the correct order. The papers should be filed in the order of transactions or activity they document. This should be in chronological order. Placing documents in this order establishes the context within which decisions were taken and confirms the sequence of those transactions. To safeguard the completeness and integrity of the files it is important to serialize (folio number) the documents within it. The individual tender and quotation files will be physically maintained according to tender or quotation reference number order and in accordance with the financial year.

Centralized co-ordination of records keeping will remove the need for officers to maintain official documents in personal filing systems as was quite evident in many instances in the case of the NNPGH Procurement Unit.

Responses

We agree with the consultants' findings and recommendations. The maintenance of a comprehensive file for each procurement activity will be implemented by 1st July 2010.

3.14 Ordering of Goods through Credit Notes

Findings

It was observed that with regard to the Open National Tender (ONT) for food stuffs and dry food rations, on exhausting the quarterly budget allocations, NNPGH normally uses credit notes for the purpose of ordering for the goods from the suppliers, instead of LPOs. This practice is in contravention of Section 26 (6) of the Act, which states that a procuring entity shall not commence any procurement procedure until it is satisfied that sufficient funds have been set aside in its budget to meet the obligations of the resulting contract. The LPOs for the goods so procured are raised later, on availability of funds, only as a formality. These credit notes are merely internally generated forms (normally written in duplicate) that do not bare any serial reference number. In addition, there was no evidence that the goods received through the credit note method are verified on receipt by the Inspection and Acceptance Committee.

Recommendations

Whist the review team understand the emergency conditions under which the above food stuffs and dry food rations are procured, the credit note method is illegal, weak and prone to abuse, especially due to the fact that the credit notes do not have distinctive numbers. The fact that the goods are not inspected on receipt by Inspection and Acceptance Committee only compounds the problem. As a minimum, if they have to be used at all, the credit notes must be serially numbered.

NNPGH should discontinue the use of the credit note procurement method in order to comply with Section 26 (6) of the Act. NNPGH should design and implement a system that allows it to prepare quarterly supplementary budgets for the food stuffs and dry food rations, for approval and funding from the cost-sharing funds.

Responses

We agree with the consultants' findings and recommendations. We will consult PPOA and obtain their technical guidance on how to resolve this problem by 30th June 2010.

3.15 Contract Management

Findings

There was no evidence of post contract award monitoring mechanism in place. There are no procurements files opened for signed contracts and the PU is not aware at all what happens to the contract once the same has been signed. Contract documents are not drafted from the tender documents and copies of the signed contracts are not handed over to the respective user

departments. NNPGH has failed to develop arrangements that will clarify accountability and contract management structure for delivery of orders, internally and externally, while building stronger horizontal linkages, collaboration and interdependencies in those involved in the supply chain. The review team observed that:

- There is no contract register;
- The procurement file containing all correspondences and documents pertaining to each contract has not been opened;
- Contract management policies and procedures are not incorporated in the procurement plans;
- Letters of Credit registers are not available in the PU for follow-up;
- There are no certificates of completion for professional services; and
- There is an urgent need to strengthen contract management functions that cross departmental boundaries.

Recommendations

- i) A contract officer should be designated to ensure continuous monitoring and documentation of all stages.
- ii) A procurement file containing all correspondences and documents pertaining to each contract should be opened.
- iii) The contract agreements should be in the procurement file.
- iv) Contract documents should be drafted from the bidder documents and copies of the signed contracts should be handed over to the respective user departments.
- v) There should be a contract register and Letters of Credit Register in the PU for follow up.
- vi) Contract management policies and procedures should be incorporated in the procurement plans.
- vii) There should be certificates of completion for all professional services and maintenance and construction projects.

Periodic operations meetings, involving project management, and procurement staff, should be instituted by NNPGH to discuss the progress of contracts to enable PU to update their schedules and documentation.

Responses

We have noted the consultants' findings and recommendations. The contract register for services and works is already in place and the one for food stuffs will be implemented by 1st July 2010. The other recommendations are being observed.

3.16 Disposal

Findings

NNPGH has constituted a Disposal Committee as provided for in the PPDR 2006 regulation 92. However, there is no consolidated disposal plan for the unserviceable, obsolete, or surplus stores and equipment. The review team was informed that there were no disposals during the period under review.

Recommendations

The Procurement Unit should develop a consolidated disposal plan for obsolete and surplus equipment and stores in line PPDR 2006 Regulation 8 (3) (w), and also ensure that adequate documentation is maintained for disposal proceedings.

Responses

We noted the Reviewers' findings and recommendations. This will be implemented by 31st May 2010.

3.17 Management of Stores

Findings

NNPGH has set up several stores in the user departments responsible for receipt, storage and issuance of specific items that have been procured by the PU. The deficiencies and main challenges observed in stores management are listed as follows:

- i) It was noted that in some stores, such as the one for the perishable foodstuff and dry food rations, goods are supplied direct through the "credit note procurement" system. The store keeper is entrusted with the task of inspecting and ensuring that the goods delivered are in the correct quantity and match the requirements, instead of the Inspection and Acceptance Committee.
- ii) Inventory reports were not availed to the review team for verification. Without periodic inventory reports, it is not possible to determine the value of stocks in the stores at any one time. The review team wondered how it was possible to carry out financial planning and budgeting without this information.
- iii) The store space and store racks in all the stores inspected were not adequate to accommodate all the stocks, thereby forcing the store staff to put some of the inventories on the floor.
- iv) The store keepers and technicians require training on efficient management of stores.

Recommendations

- i) The Inspection and Acceptance Committee should always inspect and approve goods delivered to the stores.
- ii) Periodic inventory reports should be prepared regularly showing the stocks received, stocks issued, stocks balances and values during the reporting period. The stock values should be worked out from the purchase price of the goods.
- iii) A training policy should be put in place for the training of store keepers and technicians in efficient management of stores.
- iv) More space should be created for the stores experiencing inadequate storage capacity.

Responses

We have noted the Consultants' findings and recommendations. The inspection and approval of all receipt of goods at NNPGH by the Inspection and Acceptance Committee will be implemented and properly documented immediately. The inventory reports and training policy for the store-keepers will be prepared by 30th June 2010. On the other hand, more storage space will be created for the already congested stores by 31st December 2011.

3.18 Internal Audit Function

Findings

NNPGH does not have an Internal Audit unit and currently relies on the District Internal Auditor for necessary internal audit services.

Recommendations

NNPGH should seriously consider establishing an Internal Audit unit in order to strengthen its control environment, internal checks and accountability. Contract management is weak and needs to be strengthened as poorly supervised contracts could lead to financial losses.

Responses

We have noted the Consultants' findings and recommendations. NNPGH will look into the modalities of establishing an internal audit unit by 31st December 2010.

3.19 Mandatory Reports to PPOA

Findings

NNPGH does not submit to PPOA details of all contracts awarded whose values exceed KShs 5,000,000 as required by PPDA 2005 Section 46 and PPOA Circular NO. 3 of 2008 and N0.4/2009 of 24th June 2009. The PE also does not submit all the reports required by PPOA on all DP whose value exceeds KShs. 500,000.

Recommendations

All the reports required by PPOA should be submitted promptly in accordance with PPOA Circular NO. 3 of 2008 and N0.4/2009 on Reporting Requirements and Procurement Planning of, namely;

- i) All terminated procurement proceedings (PPDA Section 36 (7)).
- ii) All direct procurements (Regulation 62 (3) of the PPDR).
- iii) All procurements exceeding the value of Kshs 5 Million.
- iv) Disposal to employees (Regulation 93(2) of the PPDR).

Responses

We agree with the above findings and recommendations. This will be implemented with immediate effect.

No.	Tender	Method	Findings	DDD	DD	D	SP
2.	KSM/PGH/TN /02/2008- 2009: Supply and Delivery of Non- Pharmaceutic als and Dressing Materials	ONT	No consolidated Procurement Plan linked to approved budget	X			
			Lack of procedures for making procurement decisions	X			
			No appointment letters for the Tender Evaluation Committee	X			
			No bid opening minutes and attendance register	X			
			No central comprehensive procurement file		X		
			No signatures on key minutes of committees' meetings		X		
			No Award Letter in the procurement file		X		
			No evidence of award by the TC		X		
			No evidence of contract being countersigned by AO		X		
			No performance bond in the contract file		X		
			No use of weighting in the award criteria in tender documents		X		
			No inspection and acceptance certificates		X		
			No authorized procurement requisitions		X		
			Records of procurement proceedings not comprehensive		X		
			No contract management file			X	
			Contract document not drafted from the bidding document			X	
			Inadequate monitoring of contracts awarded			X	
			No Letter of Acceptance in the procurement file			X	
			No Invoice copy in the procurement file			X	
			No LPO/LSO in the procurement file			X	
			No copy of Payment Voucher in the procurement file			X	
			No purchase requisition in the procurement file			X	
			No extracts of TC minutes in the procurement file			X	
			No copy of Delivery Note in the procurement file			X	
			All tenderers not informed of the result of a tendering process			X	
			Standardized Bid Documents				X
			Standardized Bid Invitation Notice				X
			Existence of all the standing and specific committees				X

No.	Tender	Method	Findings	DDD	DD	D	SP
7.	KSM/PGH/TN /13/2008-2009: Supply and Delivery of Medical and Industrial Gas	ONT	No consolidated Procurement Plan linked to approved budget Lack of procedures for making procurement decisions No appointment letters for the Tender Evaluation Committee No bid opening minutes and attendance register No central comprehensive procurement file No signatures on key minutes of committees' meetings No Award Letter in the procurement file No evidence of award by the TC No evidence of contract being countersigned by AO No performance bond in the contract file No inspection and acceptance certificates No authorized procurement requisitions Records of procurement proceedings not comprehensive No contract management file Contract document not drafted from the bidding document Inadequate monitoring of contracts awarded No Letter of Acceptance in the procurement file No Invoice copy in the procurement file No LPO/LSO in the procurement file No copy of Payment Voucher in the procurement file No purchase requisition in the procurement file No extracts of TC minutes in the procurement file No copy of Delivery Note in the procurement file Standardized Bid Documents Standardized Bid Invitation Notice Existence of all the standing and specific committees	X X X X	X X X X X X X X	X X X X X X X	X X X

4.2 Specific Deviations in Reviewed Request for Quotations

No.	Tender	Method	Findings	DDD	DD	D	SP
1.	KSM/PGH/17/08-09: Supply of Kuni Jiko	RFQ	No consolidated Procurement Plan linked to approved budget Lack of procedures for making procurement decisions No central comprehensive procurement file No signatures on minutes of TC and PC meetings No Quotation Evaluation Report No evidence of award by the TC Evaluation criteria not in accordance with the PPDA 2005 No inspection and acceptance certificates Records of procurement proceedings not comprehensive No authorized procurement requisitions No contract management file No Invoice copy in the procurement file No LPO in the procurement file No copy of Payment Voucher in the procurement file No purchase requisition in the procurement file No extracts of TC minutes in the procurement file No copy of Delivery Note in the procurement file Quotation Opening Date missing Methods for selecting firms are not documented Criteria for awarding contracts are not documented Standardized Request for Quotation Form	X X	X X X X X X X	X X X X X X X X	X
2.	KSM/PGH/23/08-09: Maintenance of Plant and Equipment	RFQ	No consolidated Procurement Plan linked to approved budget Lack of procedures for making procurement decisions No central comprehensive procurement file No signatures on minutes of TC and PC meetings No Quotation Evaluation Report No evidence of award by the TC Evaluation criteria not in accordance with the PPDA 2005 No inspection and acceptance certificates Records of procurement proceedings not comprehensive	X X	X X X X X X		

No.	Tender	Method	Findings	DDD	DD	D	SP
			No authorized procurement requisitions No contract management file No Invoice copy in the procurement file No LPO in the procurement file No copy of Payment Voucher in the procurement file No purchase requisition in the procurement file No extracts of TC minutes in the procurement file No copy of Delivery Note in the procurement file Quotation Opening Date missing Methods for selecting firms are not documented Criteria for awarding contracts are not documented Standardized Request for Quotation Form		X	X X X X X X X X	X
3.	KSM/PGH/47/08-09: Provision of Conference Facilities	RFQ	No consolidated Procurement Plan linked to approved budget Lack of procedures for making procurement decisions No central comprehensive procurement file No signatures on minutes of TC and PC meetings No Quotation Evaluation Report No evidence of award by the TC Evaluation criteria not in accordance with the PPDA 2005 No inspection and acceptance certificates Records of procurement proceedings not comprehensive No authorized procurement requisitions No contract management file No Invoice copy in the procurement file No LPO in the procurement file No copy of Payment Voucher in the procurement file No purchase requisition in the procurement file No extracts of TC minutes in the procurement file No copy of Delivery Note in the procurement file Quotation Opening Date missing	X X	X X X X X X X	X X X X X X	

No.	Tender	Method	Findings	DDD	DD	D	SP
			Methods for selecting firms are not documented Criteria for awarding contracts are not documented Standardized Request for Quotation Form			X X	X
4.	KSM/PGH/29/08-09: Purchase of Office Furniture	RFQ	No consolidated Procurement Plan linked to approved budget Lack of procedures for making procurement decisions No central comprehensive procurement file No signatures on minutes of TC and PC meetings No Quotation Evaluation Report No evidence of award by the TC Purchase price higher than the quoted price Evaluation criteria not in accordance with the PPDA 2005 No inspection and acceptance certificates Records of procurement proceedings not comprehensive No authorized procurement requisitions No contract management file No Invoice copy in the procurement file No LPO in the procurement file No copy of Payment Voucher in the procurement file No purchase requisition in the procurement file No extracts of TC minutes in the procurement file No copy of Delivery Note in the procurement file Quotation Opening Date missing Methods for selecting firms are not documented Criteria for awarding contracts are not documented Standardized Request for Quotation Form	X X	X X X X X X X	X X X X X X X	X
5.	KSM/PGH/14/08-09: Supply and Fitting of Doors	RFQ	No consolidated Procurement Plan linked to approved budget Lack of procedures for making procurement decisions No central comprehensive procurement file No signatures on minutes of TC and PC meetings No Quotation Evaluation Report	X X	X X X		

No.	Tender	Method	Findings	DDD	DD	D	SP
			No LPO in the procurement file No copy of Payment Voucher in the procurement file No purchase requisition in the procurement file No extracts of TC minutes in the procurement file No copy of Delivery Note in the procurement file Quotation Opening Date missing Methods for selecting firms are not documented Criteria for awarding contracts are not documented Standardized Request for Quotation Form			X X X X X X X	X
7.	KSM/PGH/34/08-09: Purchase of Air Conditioner	RFQ	No consolidated Procurement Plan linked to approved budget Lack of procedures for making procurement decisions Lowest bidder not awarded the contract and reasons not given No central comprehensive procurement file No signatures on minutes of TC and PC meetings No Quotation Evaluation Report No evidence of award by the TC Evaluation criteria not in accordance with the PPDA 2005 No inspection and acceptance certificates Records of procurement proceedings not comprehensive No authorized procurement requisitions No contract management file No Invoice copy in the procurement file No LPO in the procurement file No copy of Payment Voucher in the procurement file No purchase requisition in the procurement file No extracts of TC minutes in the procurement file No copy of Delivery Note in the procurement file Quotation Opening Date missing Methods for selecting firms are not documented Criteria for awarding contracts are not documented	X X X	X X X X X X	X X X X X X	

No.	Tender	Method	Findings	DDD	DD	D	SP
			Standardized Request for Quotation Form				X
8.	KSM/PGH/50/08-09: Printing of Prescription Books (Medical)	RFQ	No consolidated Procurement Plan linked to approved budget Lack of procedures for making procurement decisions No central comprehensive procurement file No signatures on minutes of TC and PC meetings No Quotation Evaluation Report No evidence of award by the TC Evaluation criteria not in accordance with the PPDA 2005 No inspection and acceptance certificates Records of procurement proceedings not comprehensive No authorized procurement requisitions No contract management file No Invoice copy in the procurement file No LPO in the procurement file No copy of Payment Voucher in the procurement file No purchase requisition in the procurement file No extracts of TC minutes in the procurement file No copy of Delivery Note in the procurement file Quotation Opening Date missing Methods for selecting firms are not documented Criteria for awarding contracts are not documented Standardized Request for Quotation Form	X X	X X X X X X X	X X X X X X X X	X

4.3 Specific Deviations in Reviewed Direct Procurements

No.	Tender	Method	Findings	DDD	DD	D	SP
1.	Supply and Delivery of Medical and Industrial Gas	DP	No consolidated Procurement Plan linked to approved budget DP not approved by the TC Choice of improper procurement procedures No central comprehensive procurement file Choice of selection procedure not justified No inspection and acceptance certificates No authorized procurement requisitions Records of procurement proceedings not comprehensive Lack of justification for DP No Invoice copy in the procurement file No LPO in the procurement file No copy of Payment Voucher in the procurement file No purchase requisition in the procurement file No copy of Delivery Note in the procurement file Methods for selecting firm are not documented Criteria for awarding contract are not documented	X X X	X X X X X	X X X X X	
2.	Purchase of Water Dispensers	DP	No consolidated Procurement Plan linked to approved budget DP not approved by the TC Choice of improper procurement procedures No central comprehensive procurement file Choice of selection procedure not justified No inspection and acceptance certificates No authorized procurement requisitions Records of procurement proceedings not comprehensive Lack of justification for DP No Invoice copy in the procurement file No LPO in the procurement file No copy of Payment Voucher in the procurement file No purchase requisition in the procurement file No copy of Delivery Note in the procurement file	X X X	X X X X X	X X X X	

No.	Tender	Method	Findings	DDD	DD	D	SP
			Methods for selecting firm are not documented Criteria for awarding contract are not documented			X X	
3..	Purchase of Laboratory equipment	DP	No consolidated Procurement Plan linked to approved budget DP not approved by the TC Choice of improper procurement procedures No central comprehensive procurement file Choice of selection procedure not justified No inspection and acceptance certificates No authorized procurement requisitions Records of procurement proceedings not comprehensive Lack of justification for DP No Invoice copy in the procurement file No LPO in the procurement file No copy of Payment Voucher in the procurement file No purchase requisition in the procurement file No copy of Delivery Note in the procurement file Methods for selecting firm are not documented Criteria for awarding contract are not documented	X X X	X X X X X	X X X X X	

5.0 ACTION PLAN AND FOLLOW-UP REVIEW

No.	Tasks	Lead Accountable	Timeline	PPOA Review Date
1.	NNPGH should develop a training policy for the PU staff, ensure that all the personnel involved in procurement related functions undergo sensitization training in the PPDA 2005 and PPDR 2006, in addition to continuous development of skills and professionalism in the areas of supply chain management for PU staff.	AO/PU	31-01-2010	
2.	Organize sensitization training in the aspects of Public Procurement Act and the associated Regulations for all the heads of the user departments and the procurement staff.	AO/PPOA	Internal one 31-03-2010; External by 31-05-2010	
3.	Prepare detailed operational policies, procedures, guidelines and standard conditions of contract administration specific to NNPGH.	PO	31-12-2010	
4.	Establish an appropriate budget for the procurement activities projected in the annual consolidated procurement plan.	Finance Officer	30-06-2010	
5.	Customize the Sectoral Procurement Manual developed by PPOA to fit the particular needs of NNPGH. The manual should clearly set out the procurement policies, procedures, instructions and regulations that NNPGH employees must adhere to in matters relating to procurement.	AO/PU/PP OA	31-12-2010	
6.	The PU should develop the consolidated annual disposal plan for obsolete and surplus equipment and stores per Regulation 8 (3) (w) of the PPDR.	AO/DC	31-05-2010	
7.	Facilitate the creation of a list of well-evaluated approved suppliers to shorten procurement activities and times and also implement a procedural requirement to encourage the use of the lists.	AO/TC	30-06-2010	
8.	Put in place strategic and innovative procurement systems that focuses on optimizing costs, simplifying transactions, streamlining the procurement process, contract management, comprehensive filing systems, managing deliveries and compliance with PPDA provisions.	AO/PU	This is on-going	
9.	Improve the record keeping in line with the requirements of PPDA Section 45 and PPDR Regulation 34(3) requiring PEs to maintain comprehensive file for each procurement activity.	PO	Already implemented	

No.	Tasks	Lead Accountable	Timeline	PPOA Review Date
10.	Adhere to the maximum thresholds matrix for class “B” PEs in regard to LVP as set out in the PPDR 2006.	AO/TC	19-01-2010	
11.	Prepare and submit annual procurement plans to the AO or the principal at least thirty days before the closure of each FY in accordance to PPDA Section 3(a) and PPDR Regulation 20(4). Link all future procurement requests to the consolidated annual procurement plan.	Departmental Heads/User Departments	19-01-2010	
12.	Link all procurement plans directly to a budgetary framework or an approved budget. Update the procurement plan continuously to meet changing needs and changes in budgetary provisions and train all PU staff on how to prepare procurement plans using templates approved by PPOA.	PU/Finance Officer/PPOA	30-06-2010	
13.	Ensure minutes of all Committee meetings are signed by the respective Chairman and Secretary for validation purposes.	AO/PU	19-01-2010	
14.	Ensure preparation of comprehensive Tender evaluation report after an evaluation process duly signed by the Chairman and Secretary of the Evaluation Committee. The report should be in accordance with Regulation 16 (10) (a-f) of the PPDR 2006 and should be forwarded to the TC for the purposes of award of tenders.	TC/PU	Being done	
15.	Ensure opening and evaluation of quotations is carried out jointly by the PU and the respective user department of PE as stipulated in Regulation 61 of PPDR 2006.	TC/PU/User Departments	On-going/being done	
16.	Ensure analysis and evaluation reports for RFQ are prepared and submitted to TC or procurement Committee for award purposes.	TC/PU	Being done	
17.	Ensure there is proof of written approval and records in writing of the reasons for using the DP method as provided for in the PPDA 2005.	AO/TC	Being done	

No.	Tasks	Lead Accountabl e	Timeline	PPOA Review Date
18.	Establish an internal audit unit to ensure effective checks on compliance of the procurement transactions.	AO	31-12-2010	
19.	Constitute an internal audit committee to prepare oversight recommendations.	AO	31-12-2010	
20.	Designate a Contract Officer to ensure continuous monitoring and documentation of all stages of contracts and ensure all contract documents are drafted from the bidder documents and copies of the signed contracts handed over to the respective user departments.	AO/PO	Being observed	
21.	Institute periodic operations meetings, involving project management and procurement staff, to discuss the progress of contracts to enable PU to update their schedules and documentation.	AO/PU	Being observed	
22.	Discontinue the use of the credit note procurement method in order to comply with Section 26 (6) of the Act.	AO/PU/Financ e Officer	To consult PPOA by 30-06-2010	
23.	Develop comprehensive filing system for cases with complaints and carry out monitoring to determine the causes of the complaints.	PU/TC	19-01-2010	
24	Prepare inventory reports showing the stocks received, stocks issued and stocks balances during the FY. Extract stock values from the purchase price of the goods.	AO/PU/Store Keeper	30-06-2010	
25.	Create more space for the stores with inadequate storage capacity. Develop a training policy for the training of store-keepers in efficient management of stores.	AO/PU/Store Keeper	31-12-2011	
26.	Use standard tender documents to ensure compliance with Section 45 (1), 45 (2a-h) and 45 (6) of the PPDA. Official procurement documents maintained in official files. Revised filing scheme. Procurement files referenced and coded according to the new filing scheme. Copies of revised filing scheme circulated to action officers to facilitate speedy access to information and documents in the procurement files.	PO	Being done	
27.	Comply with Section 45 of the PPDA 2005 and 34 (3) of PPDR 2006 by ensuring the maintenance of complete and self-contained file for each procurement activity. Maintenance of a complete file for each tender and quotation, including documents on receipt and payment for goods and services. Papers in each file in the correct order, serially numbered and reflecting sequence of transactions. Procurement files linked with corresponding payment records by cross-referencing.	PO	01-07-2010	

28.	Ensure that closed procurement records are properly organized and that inventory or catalogue is prepared to facilitate access and retrieval.	PO	Being done	
29.	Ensure adequate accommodation for current and closed procurement documents. Ensure that the current procurement documents are separated from closed ones. Prepare an inventory of closed procurement documents and distributed to users. Install requisite storage equipment, properly describe and arrange the records and prepare catalogues and distribute to users. And also prepare and implement records access rules and regulations in line with Regulation 8(3) (n) on maintenance and archiving of procurement documents.	PO	Being done	
	Assign responsibility for management procurement records to a specific officer, preferably from the TC and realign the duty schedule with the new responsibilities.	PO		
30.	Ensure that the payment records are organized and arranged in vote-head, sub-head and item-head account code (number), payment vouchers under a specific item-head are accommodated in one file that has been assigned appropriate account code and reference number. Ensure that PV files are arranged in accounting code and financial year sequence. An inventory (catalogue) of PV files should be prepared and linked to (cross-referenced with) corresponding procurement files and inventory circulated to relevant action officers. Obsolete accounts documents disposed of by applying chapter 23 of Government Financial Regulations and Procedures.	PO/ Accountant	19-01-2010	
31.	Prepare and maintain a contracts agreement register.	PO/AO	01-07-2010	
32.	Prepare and submit budget for records management activities.	PO/AO	Being done	
33.	Ensure that the stores documents and files are properly organized and reflected in the NNPGH's main file scheme. Cross reference stores files with corresponding procurement and payment files.	PO	19-01-2010	
34.	Ensure senior staff support and co-operation with the requirements of restructured and improved procurement Record Management system.	AO/All staff members	Being done	
35.	Mandatory Reporting to PPOA	AO	Immediate	

6.0 CONCLUSIONS

We have carried out procurement reviews on procurement functions and procedures to verify whether they conform to the Public Procurement and Disposal Act 2005, Public Procurement and Disposal Regulations 2006. We have also assessed whether the functions comply with generally accepted good practices. We have identified deviations in general and specific areas of procurement stages and attached ratings to them. In the selected areas, we concluded that the NNPGH level of compliance with the provisions of PPDA 2005 is low and the management should demonstrate greater commitment to follow the Act in their operations. It is important for NNPGH to embrace the law and prepare an organization-wide compliance program. We have included a follow-up phase in our recommendations to ensure that corrective measures are carried out in order to improve compliance, efficiency and effectiveness in procurement management.

The management of NNPGH welcomed the review exercise as a mechanism to identify and address any pending shortcomings and weaknesses. They mentioned that the period being reviewed was a transitional period as most of the staff members were on a learning curve, so that any failure to follow procedures was due to lack of capacity. The management also pointed out that when the Act and the Regulations were introduced, NNPGH could not immediately implement the laws because the management needed time to harmonize the systems to accept the new law.

Although NNPGH has taken a number of reasonable steps to comply with the provisions of the procurement law, still a number of outstanding issues need to be addressed. The issues raised are important and warrant immediate attention by the procuring entity and the intervention of the PPOA to avert further non-conformity.

It was noted that the PU of NNPGH has not prepared the procurement manual and the operations and procedures manual for the procurement staff. The Procurement Unit should keep in regular touch with PPOA, seek their guidance on matters of doubt, and if possible get directives from them in writing in matters arising especially where documents or policies are yet to be developed.

The proportion of spend covered by open tendering was 79% compared to RFQ 15%. This means that high value goods and services are purchased through ONT, which was quite commendable.

NNPGH does not have an Internal Audit unit and currently relies on the District Internal Auditor for necessary internal audit services. NNPGH should seriously consider establishing an Internal Audit Unit in order to strengthen its control environment and internal checks.

The office of Public Accounts Controller should ensure that settlement of bills for works are adequately supported with interim or completion certificates as appropriate and in accordance with the contract and regulations.

Record keeping, data and documentation controls and contract management is a major challenge in NNPGH. Retrieving records for review purposes was difficult and time consuming. Some records pertaining to execution of the procurement process were incomplete, limiting the review scope. This area needs an urgent attention of the Accounting Officer, since poor record keeping compromises validity, authenticity, quality and reliability of the information coming from the PE.

While PPOA is tasked with measuring and enforcing compliance, NNPGH needs to reduce risk and ensure that all departments implement the regulations. An effective compliance program can make the PE more effective and efficient in reducing the risk of internal and external threats, while at the same time providing proof of compliance demanded by PPOA across multiple compliance initiatives.

There are adverse risks from non-compliance with procurement law and regulations, which can have far reaching consequences to NNPGH like fraud, corruption, mis-procurement collusion and financial loss. An active compliance program enables the organization to accurately detect the violations, to take the appropriate action (even blocking the payment from being made), and to quickly find and review the violation in order to address the situation, preventing further damage or loss.

7.0 APPENDICES

7.1 Entry Meeting

The entry meeting was conducted at the Hospital Board Room located in the Administration Office Block on Monday, 11th May 2009 at 11.00 a.m.

Present

No.	Name	Position	Organization
1.	Roy O. Oyamo	Review Team Member	Gath Consulting Engineers
2.	Peter K. Ndung'u	Acting Deputy Manager Compliance Department	PPOA
3.	Charles Chama	Compliance Officer	PPOA
4.	Dr. D.O Raburu	Acting Medical Superintendent/Hospital Surgeon/Chairman PC	NNPGH
5.	Grace A. Olang'o	Director of Nursing	NNPGH
6.	Sikulu Paul	Hospital Administration Officer {HAO}	NNPGH
7.	Monica Odeny	Procurement Officer/Secretary TC/Member Disposal Committee/Secretary PC	NNPGH
8.	Jackson Omondi	Pharmacist/Chairman TC	NNPGH
9.	Rose Abuya	Public Health Officer/Member TC/Member PC	NNPGH
10.	Hezron J. Okoth	Laboratory Technologist	NNPGH
11.	Andrew C. Malit	Nursing Officer	NNPGH
12.	Rose Odoyo	Nutrition Officer/Member PC	NNPGH
13.	Emily Omondi	Cateress/Member TC	NNPGH
14.	Leah Makori	Senior Medical Engineering Technologist/Member TC	NNPGH
15.	Stephen Otieno Sewe	Senior Hospital Administrative Officer {SHAO}/Chairman Disposal Committee/Member PC	NNPGH

Absent with Apology

No.	Name	Position	Organization
1.	Joseph I. Kimani	Review Team Leader	Wachira Irungu & Associates

Purpose

The purpose of the meeting was to introduce the Wachira Irungu & Associates/Gath Consulting Engineers review team to NNPGH management. The meeting's objective was also to inform NNPGH management the purpose of carrying out the review that is to establish the status of NNPGH's procurement contracting, and implementation processes and systems, in order to determine the level of compliance with the new procurement law, regulations, circulars, guidelines and directives issued by the Public Procurement Oversight Authority.

Matters Arising

The meeting began with a quick session of introductions thereafter the Acting Medical Superintendent, Dr. Raburu requested the visitors to elaborate more on their purpose of visit.

The Acting Deputy Manager Compliance Department, Mr. Ndung'u began the briefings by stating the year 2001 as the year when procurement regulations were put in place. He continued farther by explaining the history of procurement in Kenya. The Public Procurement System in Kenya has been improved from a crude system with no regulations in the 1960s, through a system regulated by Treasury Circulars in the 1970s, 80s and 90s and to an orderly legally regulated procurement system since March 2001 with the establishment of the Exchequer and Audit (Public Procurement) Regulations. Nevertheless, these regulations notwithstanding, the Public Procurement System continued to face eminent and persistent challenges. Thus there was a need to put in place a law that would deal with the various challenges in a well structured manner. A major milestone was achieved with the enactment of the Public Procurement and Disposal Act, 2005. The PPDA 2005 became operational with the gazettment of the Regulations 2006 on 1st January 2007 creating the Public Procurement Oversight Authority (PPOA).

He then took the participants through the mandate of PPOA, functions of PPOA and the purpose of the procurement review. The Compliance Officer, Mr. Chama mentioned that the main purpose of procurement review is to establish whether the procurement of goods, services and works is carried out according to the Rules and Regulations in the PPDA 2005 and PPDR 2006 respectively. Mr. Ndung'u stated that the long term goal is to review all PEs. He told the meeting that the main objectives of the procurement review was to establish compliance, recommend improvements in the procurement system and enhance capacity building.

According to Mr. Ndung'u, the review period was set to change from the earlier stated period of 1st July 2007 to 30th June 2008. This was because the Procurement Unit of the PE was only one year old as procurement activities within the Hospital began towards the end of FY 2007/2008. The PE had been in the past conducting procurement of goods, services and works through the District Tender Committee. Review of procurement proceedings during FY 2007/2008 meant that the District Tender Committee was going to be reviewed as opposed to NNPGH. It was therefore unanimously agreed that the review period was to change to 1st July 2008 to 30th April 2009. However, it was established during the meeting that the PU of the PE was not completely independent as payment of the procured goods, services and works was still carried out at the District Treasury through the District Accountant. This meant that the review team had to pay a visit to the District Accountant in-order to review the payment procedures involved.

The scope of work was explained by Mr. Ndung'u as including but not limited to Institutional Structures of PE, Capacity of PE, Procurement Procedures and Processes i.e. OIT, ONT, RT, RFQ, RFP, DP, LVP and SPP, Mandatory Reporting Requirements to PPOA, Record Keeping and Management, Contract Administration and Management, and finally Institutional Challenges. The fieldwork was to be carried out by the consultants to constitute the data collection process after which a draft report was to be prepared to the Interim Director General PPOA. The report once approved should be given to the PE for response after which the final report should be drafted including with it, the responses of the PE. This report was to be posted in the website of PPOA once approved. During the exit meeting, discussions will be held on the recommendations and the action plan to be implemented within agreed timeframe and which the PPOA will monitor, review and work with NNPGH to assist with implementation of the recommendations.

Mr. Ndung'u also noted that among the major challenges experienced in the past reviews was poor record keeping and poor documentation. The review team, as stated in the engagement letter required the name of the contact person, preferably the head of the PU and a lockable working office with access to power. Mr. Chama confirmed that most of the issues were technical and enquired whether all the PU members were familiar with PPDA 2005 and PPDR 2006. Most of the members of the PU confirmed that they were familiar with the Act and the associated Regulations.

Dr. Raburu mentioned that the engagement letter was received late in the evening on Friday, 8th May 2009 and therefore the information required had not been prepared. The Chairman of the TC, Mr. Omondi stated one of the challenges facing the PU was lack of legal training in the interpretation of the Act and the associated Regulations. Mr. Chama reiterated that the Act might not be perfect but its requirements shall bring about good procurement, transparency and integrity. The TC has the final say as it is the highest committee. Mr. Ndung'u told the meeting that a training session could be organized at a later date after the reports. Dr. Raburu requested the review team to allow the PO to attend to the Tender Opening session which was scheduled for Tuesday, 12th May 2009. The review team accepted the request..

One of the issues spelt out during the entry meeting was the fact that the District Procurement Officer (DPO) initials, had to appear in every LPO/LSO before payment could be authorized by the District Accountant (DA). This means that the DA could not authorize for payment any procurement transaction which was without the initials of the DPO on the LPO/LSO. The question which arose was why the DPO was committing himself on procurement proceedings which he did not participate in.

An apology was made for J.I Kimani, the review team leader who did not make it from Nairobi for the entry meeting.

7.2 NNPGH List of Personnel who have Undergone Procurement Training

No.	Name	Designation	Role	Training
1.	Monica Odeny	Procurement Officer	Secretary TC/ Member Disposal Committee/Secretary PC	<i>Strategic Public Procurement Seminar</i> conducted by GTI on behalf of PPOA in Mombasa
2.	Dr. D.O. Raburu	Deputy Medical Superintendent	Chairman PC	<i>Strategic Public Procurement Seminar</i> conducted by GTI on behalf of PPOA in Mombasa

7.3 Tender Committee Members

No.	Name	Designation	Position
1.	Dr. Jackson Omondi	Chairman	Pharmacist
2.	Margaret Odhiambo	Vice-Chairperson	Nursing Officer
3.	Monica Odeny	Secretary	Procurement Officer
4.	Stephen Sewe	Member	Senior Hospital Administrative Officer (SHAO)
5.	Leah Makori	Member	Senior Medical Engineering Technologist
6.	Rose Abuya	Member	Public Health Officer
7.	Milkah Odeny	Member	Accounts Officer
8.	Dr. Paul Mitei	Member	Technician
9.	Dr. Evans Imbuki	Member	Hospital Pharmacist
10.	Emily Omondi	Member	Cateress

7.4 Procurement Committee Members

No.	Name	Designation	Position
1.	Dr. D.O. Raburu	Chairman	Deputy Medical Superintendent/Hospital Surgeon
2.	Monica Odeny	Secretary	Procurement Officer
3.	Teresa Okiri	Member	-
4.	Stephen O. Sewe	Member	SHAO
5.	Milkah Odeny	Member	Hospital Accountant
6.	Rose Abuya	Member	Public Health Officer
7.	Rose Oduyo	Member	Nutrition Officer
8.	Dr. Wafula Caroline	Member	-

7.5 Inspection and Acceptance Committee Members

No.	Name	Designation	Position
1.	Mr. Ismael Musindalo	Chairman	-
2.	Jacob Adede	Member	-
3.	Grace Olang'o	Member	Director of Nursing
4.	One Officer from the User Department as per the item delivered		

7.6 Disposal Committee Members

No.	Name	Designation	Position
1.	Stephen O. Sewe	Chairman	Senior Hospital Administrative Officer {SHAO}
2.	K. Kirui	Secretary	-
3.	Monica Odeny	Member	Procurement Officer
4.	H. Omaiyo	Member	-
5.	One Member to be Co-opted being the Head of the end User Department Disposing the Stores		

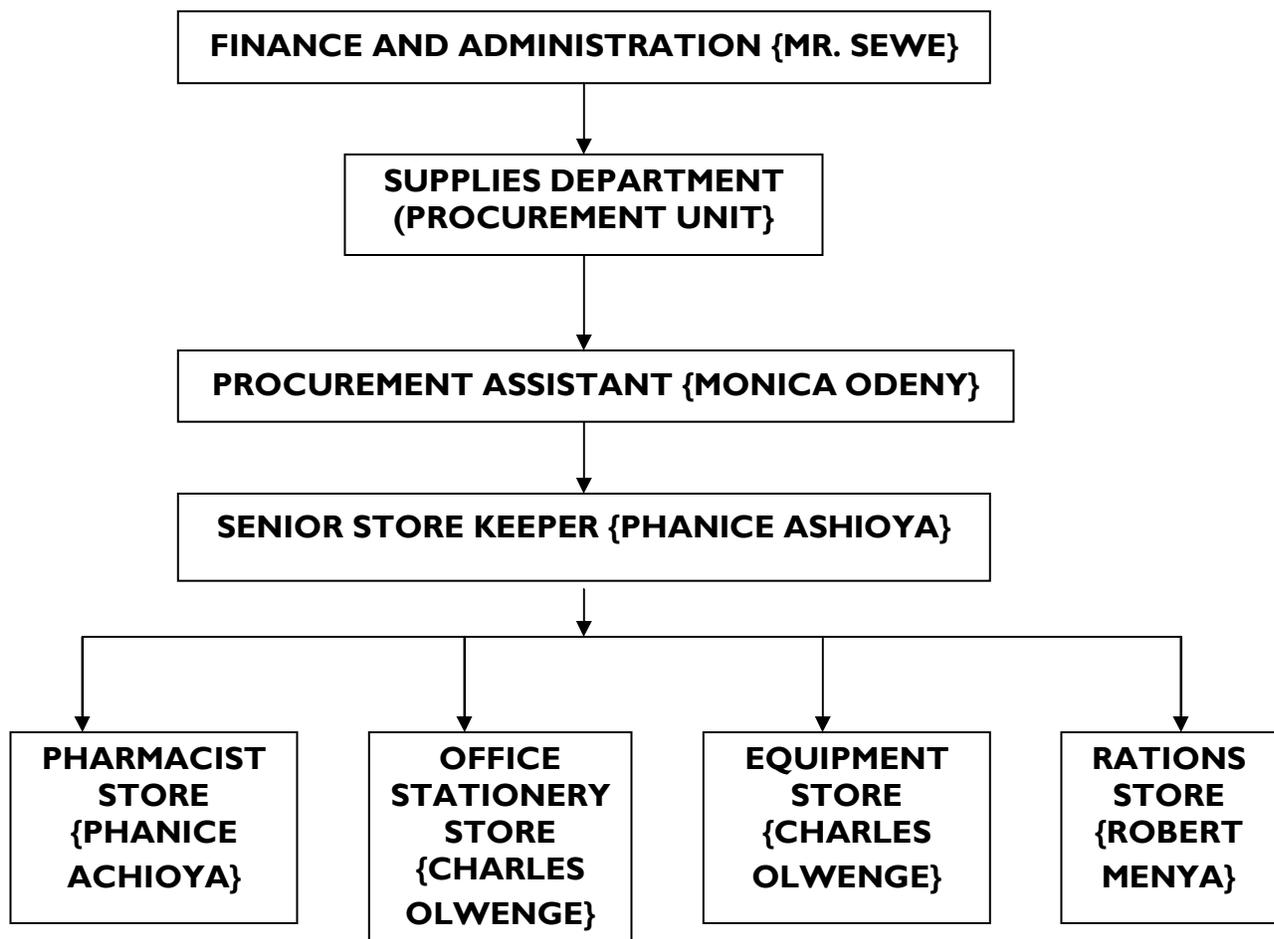
7.7 Tender Evaluation Committee Members for the Period July 2008 to June 2009

No.	Name	Designation	Position
1.	Edward Kojiema	Chairman	Senior Dental Technologist
2.	Grace Olang'o	Member	Nursing
3.	Dr. Felix Tindi	Member	Pharmacy
4.	Allan Ouma	Member	Public Health
5.	Daniel Busio	Member	Maintenance Unit
6.	Rose Odoyo	Member	Nutrition
7.	Isaiah Ruto	Member	Occupational Therapy
8.	Habakkuk Awino	Member	Laboratory
9.	George Njoroge	Member	Administration
10.	Johannes Simiyu	Member	Health Information Officer
11.	Milkah Odeny	Member	Hospital Accountant

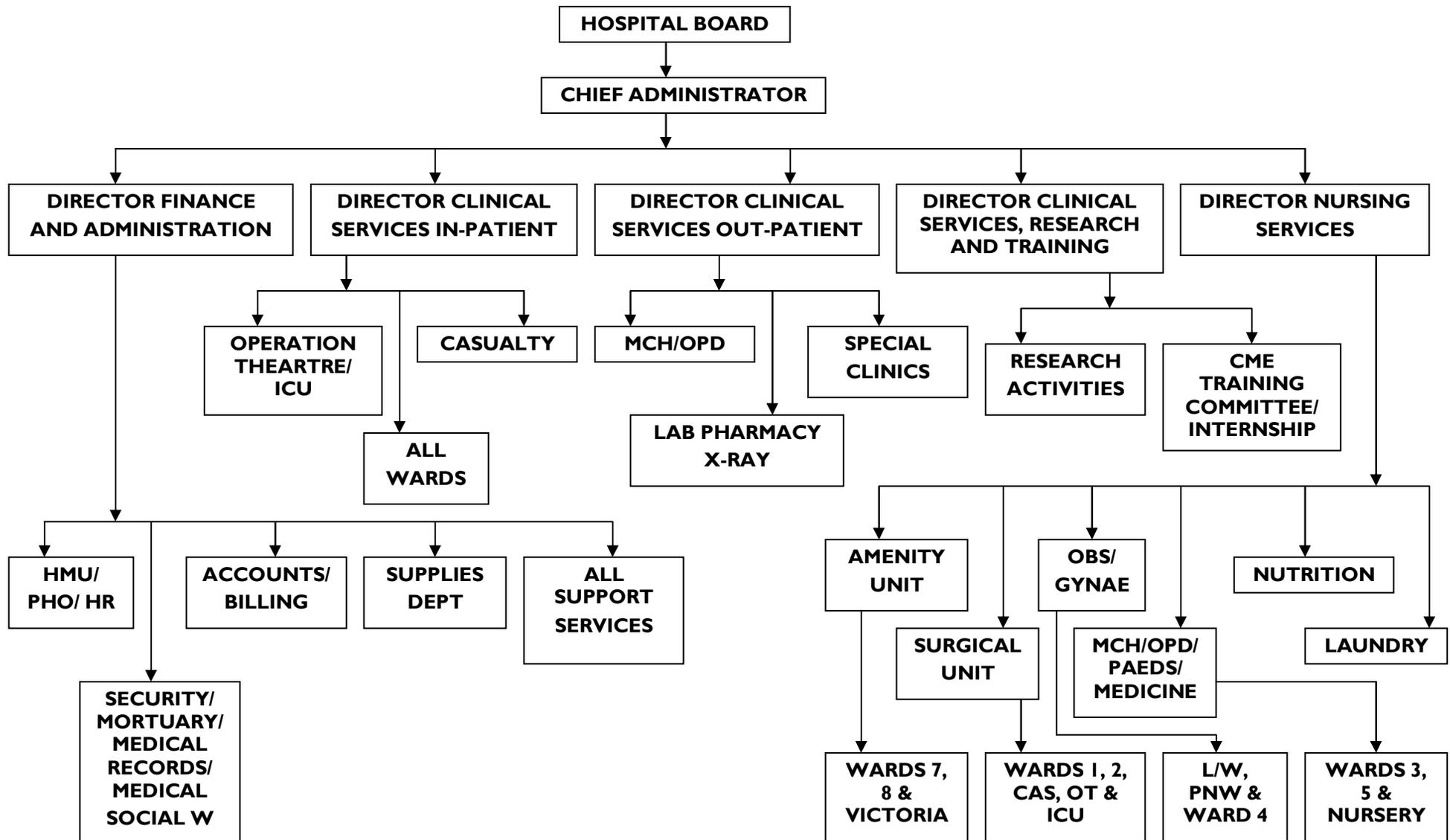
7.8 Procurement Staff

No.	Name of Staff	Designation	Qualifications
1.	Monica Odeny	Procurement Officer	B.Com Nairobi University and Diploma in Business Administration
2.	Phanice Ashioya	Senior Store Keeper/ Pharmacy Store Keeper	Proficiency in Stores Option and Certificate in Store Keeping
3.	Charles Olwenge	Clerk/Office Stationery and Equipment Store Keeper	Proficiency in Accounts Option. Currently pursuing Post-Graduate Diploma in Human Resource Management
4.	Robert Menya	Clerk/Store Keeper Rations Store	Certificate in Boiler Maintenance

7.9 Organization Structure of the Procurement Unit



7.10 Organizational Structure of NNPGH



7.11 Distribution of Procurement Methods in the Sample

No.	Procurement Method	Selected Sample	Out of Total	Value Sampled in KShs	Out of Total Value in KShs
1.	International Tender (OIT)	N/A	N/A	N/A	N/A
2.	Open National Tender (ONT)	44	342	4,994,552.40	33,943,680.95
3.	Restricted Tender (RT)	N/A	N/A	N/A	N/A
4.	Request for proposal (RFP)	N/A	N/A	N/A	N/A
5.	Request for Quotation (RFQ)	12	30	2,049,809.00	6,252,434.15
6.	Direct Procurement (DP)	11	11	1,269,494.38	1,269,494.38
7.	Low Value Procurement (LVP)	10	118	282,146.00	1,214,764.00
8.	Specially Permitted (SPP)	N/A	N/A	N/A	N/A
	TOTAL	77	501	8,596,001.78	42,680,373.48

7.12 Summary of General Rating in NNPGH

No.	AREA	DDD	DD	D	SP
1.	No consolidated procurement plan linked to the approved budget.	X			
2.	Lack of annual disposal plan	X			
3.	Lack of procedures for making procurement decisions.	X			
4.	Not adhering to the Threshold matrix in LVP.	X			
5.	Lack of approved prequalified list for suppliers.	X			
6.	Lack of comprehensive procurement records in all the cases reviewed.	X			
7.	DP not approved by the TC	X			
8.	Lack of central comprehensive procurement files in all the cases reviewed.		X		
9.	Lack of signatures on key minutes.		X		
10.	Contracts awarded not from the approved list of suppliers.		X		
11.	Award Letters missing for all the tenders reviewed.		X		
12.	Disposal procedures not followed.		X		
13.	No evidence of analysis of bid documents by Tender Evaluation Committee.		X		
14.	No evidence of the use of weighting in the award criteria in tender documents.		X		
15.	Inspection and acceptance certificates confirming delivery not available.		X		
16.	No authorized procurement requisitions.		X		
17.	No schedules of duties for initiating, certifying and approving officers.		X		
18.	Record of procurement proceedings not comprehensive (RFQ).		X		

No.	AREA	DDD	DD	D	SP
19.	Lack of justification for the use of DP.		X		
20.	Absence of Award Letter in the procurement file.			X	
21.	Absence of Invoice Copy in the procurement file.			X	
22.	Absence of LPO/LSO in the procurement file.			X	
23.	Absence of Payment Voucher in the procurement file.			X	
24.	Absence of procurement requisition in the procurement file.			X	
25.	All tenderers not informed of the result of a tendering process in accordance with the law.			X	
26.	Anti corruption mechanisms not defined and published.			X	
27.	Date of Evaluation Committee report missing.			X	
28.	Goods or Services Received Note missing in the procurement file.			X	
29.	Inadequate monitoring of contracts awarded.			X	
30.	Methods and criteria for selecting firms and for awarding contracts are not documented.			X	
31.	Standardized Bid Invitation Notice.				X
32.	Standardized Bid Documents.				X
33.	Approval of Bid Document by TC.				X
34.	Bid Opening Minutes available.				X
35.	Evidence of Budgetary Allocation.				X
36.	Standardized Request for Quotation Form				X

7.13 Exit Meeting

The exit meeting was conducted at the Procurement Office Board Room located within the Administration Office Block on Tuesday, 19th January 2010 at 11.55 a.m.

Present

No.	Name	Position	Organization
1.	Joseph I. Kimani	Consultant-Review Team Leader	Wachira Irungu & Associates
2.	Roy O. Oyamo	Consultant-Review Team Member	Gath Consulting Engineers
3.	Peter K. Ndung'u	Acting Deputy Manager Compliance Department	PPOA
4.	Joseph K. Kimani	Senior Assistant Compliance Officer	PPOA
5.	Dr. Juliana Otieno	Chief Administrator/Medical Superintendent	NNPGH
6.	Jackson Omondi	Pharmacist/Chairman TC	NNPGH
7.	Monica Odeny	Procurement Officer/Secretary TC/Member Disposal Committee	NNPGH
8.	Andrew G. Malit	Nursing Officer	NNPGH
9.	Leah Makori	Senior Medical Engineering Technologist/Member TC	NNPGH
10.	Ismael O. Musindalo	X-Ray	NNPGH
11.	Rose Abuya	Public Health Officer/Member TC/Member PC	NNPGH
12.	Dr. Evans Imbuki	Hospital Pharmacist/Member TC	NNPGH
13.	Stephen Otieno Sewe	Senior Hospital Administrative Officer {SHAO}/Chairman Disposal Committee/Member PC	NNPGH

Purpose

The main purpose of the meeting was to formally present to NNPGH management the review findings and recommendations, and to agree on the action plan and follow-up review. A timeline was to be established for each of the tasks in the action plan. The entity's commitment was also to be sought in order to implement the recommendations according to the agreed period in the action plan.

The exit meeting was arranged between the PPOA team, Consultants review team (Wachira Irungu & Associates/Gath Consulting Engineers) and the reviewed entity (NNPGH). This was necessary so that those present had the opportunity to agree on changes in procedures and other measures necessary to rectify the problems and deficiencies observed in the course of the review.

Mr. Peter Ndung'u led the PPOA team at the exit meeting while Mr. Joseph Kimani led the Consultants review team (Wachira Irungu & Associates/Gath consulting Engineers). Dr. Juliana

Otieno led NNPGH's team comprising Procurement Officer and other staff handling procurement related functions.

Matters Arising

The meeting began with a quick session of introductions. The Hospital Chief Administrator, Dr. Juliana Otieno who was the chair of the meeting welcomed the PPOA team and the Consultants to NNPGH. She gave an apology on behalf of the Deputy Medical Superintendent, Dr. D. O. Raburu, who was on leave at the time of the meeting. She then handed over the meeting session to Mr. Joseph Kimani (Consultant-Wachira Irungu & Associates) who invited Mr. Peter Ndung'u (PPOA- Acting Deputy Manager Compliance Department) to continue with the deliberations.

The Acting Deputy Manager Compliance Department, Mr. Ndung'u began the briefings by stipulating one of the main functions of PPOA as assisting the procuring entities to achieve their mandate. He then mentioned that the entry meeting took place on Monday, 11th May 2009. He outlined the main purpose of the exit meeting as number one; to go through the key findings and recommendations contained in the draft final report, and number two; to discuss and agree on the action plan and the timing thereof. While highlighting the general observations from the report, Mr. Ndung'u mentioned that PPOA had carried out twelve (12) reviews so far. He thanked the management of NNPGH for constituting all the committees stipulated in the PPDA 2005 and PPDR 2006. The procurement volume was observed as satisfactory as ONT accounted for 79% of the total procurement volume while RFQ accounted for only 15%.

Mr. Peter Ndung'u went on further to highlight a few of the key findings contained in the draft final report. Lack of a procurement plan was an issue which required serious attention by the management NNPGH. Credit buying through issue of credit notes was disapproved as it was not in line with PPDA 2005 and PPDR 2006. Record keeping and management was observed as very poor and required serious improvement. The NNPGH management was informed of the PPOA record keeping manual available on the website which could be downloaded to assist in record keeping and management.

Another key finding of concern which required action by the NNPGH's management was failure to make mandatory reporting to PPOA. Mr. Peter Ndung'u explained the contents of the PPOA Circular NO. 4/2009 of 24th June 2009 on reporting requirements. Mandatory reporting should be carried out on all contracts with value equal to and exceeding KShs 5 million; all DPs whose value exceeds KShs. 500,000; all terminated procurement proceedings; and on disposal of items to staff members. Failure to utilize standard tender documents was the final key finding which was highlighted by Mr. Peter Ndung'u after which the Consultants were invited to make a detailed presentation of the key findings and recommendations.

The presentation of the key findings and recommendations was done by Mr. Joseph Kimani (Wachira Irungu & Associates). He began the presentation by distributing copies of the summary of key findings and recommendations. He reaffirmed that most of the key findings in the presentation had been highlighted by Mr. Peter Ndung'u (PPOA). An introduction to the key findings and recommendations was spelt out. There were approximately 501 procurement

transactions during the period under review amounting to KShs 42,680,373.00. A sample size of 77 procurement transactions amounting to KShs 8,596,002.00 was selected for review.

Among the key findings presented by Mr. Joseph Kimani included issues on legal framework, institutional structures, procurement unit, budgeting, procurement plan, purchase requisitions, procedures manual, separation of powers, registration of suppliers, record keeping, ordering of food stuffs through credit notes, contract management, disposal plan and management of stores.

During discussions involving the procurement unit, Mr. Peter Ndung'u requested to know whether NNPGH was autonomous from the District Procurement Office. This was confirmed as not the case by Mrs. Monica Odeny and Mr. S. Sewe. The District Procurement Officer (DPO) must sign every LPO/LSO before payment can be authorized by the District Accountant (DA). Mr. Peter Ndung'u reiterated that this was likely to cause unnecessary procurement delays and the issue shall be taken up by PPOA.

The issue concerning ordering of goods through credit notes was discussed extensively. The Medical Superintendent, Dr. Juliana Otieno explained that they normally make use of the credit notes to procure foodstuffs for the hospital's use. This is because funds from the Ministry {usually channeled towards the purchase of foodstuffs} are disbursed on a quarterly basis. Mr. S. Sewe mentioned that most of the times they usually experience delays in receiving the funds and in certain instances only half of the funds budgeted are disbursed causing serious challenges. Mr. Peter Ndung'u proposed a solution to the whole scenario and suggested that NNPGH should enter into term contracts with the suppliers and advised the procuring entity to formally engage PPOA on the matter for guidance. Mr. Peter Ndung'u explained the differences between reservations and preferences in procurement of goods and services.

Mr. Peter Ndung'u, with permission from the chair person, took the meeting through the action plan and the follow-up review. He explained that the action plan shall involve an agreed timeframe while the follow-up review dates shall be decided upon by PPOA based on the agreed timelines. The meeting then proceeded to discuss the timelines under each item of the Action Plan and Follow-up Review contained in the Draft Final Report.

The final stage of the procurement review of NNPGH would involve the incorporation of the PE's responses in the final report by the Consultants. NNPGH would be given a maximum of two (2) weeks to go through the final report before it is posted on the PPOA website. Mr. Ndung'u stressed that issues which are not clear should be clarified as early as possible before the final report is posted on the PPOA website.

Mr. Peter Ndung'u handed over the meeting to the Chair Dr. Juliana Otieno who moved a vote of thanks. She requested the Consultants to avail the final report on time.