



**PUBLIC PROCUREMENT OVERSIGHT AUTHORITY**

*Transforming Procurement*

**FINAL REPORT**

**THIKA DISTRICT HOSPITAL**

**PROCUREMENT REVIEW**

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

**DECEMBER 2009**

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## TABLE OF ACRONYMS

AO	Accounting Officer
CAPP	Consolidated Annual Procurement Plan
CIPS	Chartered Institute of Purchasing and Supplies
D	Minor Deviation
DD	Moderate Deviation
DDD	Major Deviation
DG	Director General
DMSO	District Medical Services Officer
DP	Direct Procurement
FBO	Foreign Based Organizations
FY	Financial Year
GoK	Government of Kenya
HMIS	Health Management Information System
ICU	Intensive Care Unit
KEMSA	Kenya Medical Supplies Agency
KNAO	Kenya National Audit Office
LPO	Local Purchase Order
LSO	Local Service Order
LVP	Low Value Procurement
MEDSUP	Medical Superintendent
MFG	Manufacturing Date
NGO	Non Governmental organization
OIT	Open International Tender
ONT	Open National Tender
OPD	Out Patient Department
PC	Procurement Committee
PPDA	Public Procurement and Disposal Act 2005
PPDR	Public Procurement and Disposal Regulation 2006
PR	Purchase Requisition
PU	Procurement Unit
PV	Payment Vouchers
RCO	Registered Clinical Officer
RFQ	Request for Quotation
RT	Restricted Tendering
TC	Tender Committee
TDH	Thika District Hospital

## **EXECUTIVE SUMMARY**

The report is based on the outcome of the procurement review of Thika District Hospital undertaken by Lindi Agencies on behalf of PPOA.

The review was carried out from 28<sup>th</sup> April, 2009 to 16<sup>th</sup> May, 2009. The objective of the exercise was to review the status of the hospital's procurement, contracting and implementation processes in order to determine the level of compliance with the procurement law, regulations, circulars, and directives issued by the Public Procurement Oversight Authority and generally acceptable professional best practices.

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

The field work was carried out by going through the procurement procedures and processes as practiced by the PE, interviewing key persons involved in the procurement function, and interrogation of documents relating to procurement processes from initiation to completion. The detailed results of the review and the recommended action plan are included in the report. Findings in respect to the background of the procuring entity and specific procurements findings as they relate to each of the areas considered are highlighted. Also included in the report are general findings and recommendations as they relate to each of the reviewed activity.

Some of the anomalies noted included storage of some of the expired drugs with non-expired ones. There was also non adherence to the threshold matrix.

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

## **1.0 INTRODUCTION**

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

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

### **1.1 Mandate of PPOA**

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

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

Section 49(1)(a) of the Act, provides for the PPOA's procurement review function, which states that the Director-General or anyone authorized by him may inspect at any reasonable time the records and accounts of a procuring entity and the procuring entity and contractor shall co-operate and assist whoever does such an inspection. Upon this, the Director General wrote to the Medical Superintendent, TDH, informing him that the review would take place and attached the checklist of the information and documents to be provided by the hospital. In this regard PPOA contracted Lindi Agencies Ltd. to carry out this review exercise.

### **1.2 Responsibility of Procuring Entity**

Section 27(1) of the PPDA provides that a public entity shall ensure that the Act, Regulations and any directives of PPOA are complied with in respect to each of its procurements.

### **1.3 Review Objectives**

The main purpose was to carry out a review of the status of TDH's procurement activities, in order to establish the level of compliance with the Procurement Law.

#### **The specific objectives of this procurement review are:**

1. To verify the procurement and contracting procedures, processes and documentation followed by TDH in order to determine whether they were carried out in accordance with the PPDA and the associated Regulations;
2. To establish the hospital's adherence to the general principles of economy and efficiency, equal opportunities, transparency, integrity, fairness, and value for money;
3. To determine the technical compliance, physical completion and price competitiveness of each contract in the selected representative samples;

4. To review the capacity of TDH to handle procurement efficiently, comment on the quality of procurement and contracting, and identify reasons for delays, if any;
5. To establish whether adequate systems are in place for procurement planning, implementation and monitoring and whether reliable documentation is maintained as required by the law;
6. To establish whether recommended actions made in the previous reviews have been carried out successfully;
7. To make recommendations for improvement in action plan which will be followed up to establish whether these improvements have been implemented;
8. To assist in clarification of areas where TDH may have misunderstood the requirements of the legislation; and
9. To identify weaknesses e.g. capacity needs, lack of equipment, which impede good performance and need to be rectified.

#### 1.4 Entry Meeting

An entry meeting with the TDH management team was organized on 28<sup>th</sup> April, 2009 before the commencement of fieldwork. Mr. P.K. Ndung'u, the Ag. Deputy Manager Compliance led both the PPOA and Lindi Agencies' Ltd teams in the entry meeting. The PE's team was led by Dr. J. Mwangi, the Medical Superintendent. The meeting was held in the TDH Boardroom.

Present

	Name	Designation	Organization
1	Dr. Johan Mwangi	DMSO/MED SUP	TDH
2	Dr. Njoroge	DMSO	TDH
3	Priscilla W. Kanyiri	Procurement Officer	TDH
4	David Ndwati	Lab I/C	TDH
	Peter K. Ndung'u	Ag. Deputy Manager Compliance	PPOA
5	Stanley Miheso	Compliance Officer	PPOA
6	N.N Wachira	Team Coordinator	Lindi Agencies Ltd.
7	Ernest W. Kinuthia	Team Leader	Lindi Agencies Ltd.
8	Mrs. M. A Edebe	Consultant	Lindi Agencies Ltd.
9	J.W Wamaguru	Consultant	Lindi Agencies Ltd.

#### Purpose of the Entry Meeting

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

1. Formally introduce Lindi Agencies' Ltd. team of consultants to the TDH team.
2. To inform TDH the purpose of carrying out the procurement review.
3. To advise on matters in respect to the type of review/audit and the period to be covered by the subject review.
4. To advise in respect to the anticipated duration of the review exercise and the stages in which it would be carried out.

5. To advise on what is expected of both the consultants and the TDH and expected deliverables following the exercise and how such deliverables will be dealt with by the PPOA.
6. To advise on the likely impact following the findings of the review.

**Mr. Peter Ndung'u advised as follows:-**

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



## **2.0 BACKGROUND AND ORGANIZATION - THIKA DISTRICT HOSPITAL (TDH)**

### **2.1 TDH Profile**

TDH is situated in Thika Municipality along General. Kago Road opposite Kenya Power Company Depot. It was started in 1946 being a native hospital, serving the locals during the colonial period.

It serves a population of 454,166 people plus part of the population of the surrounding districts and also serves as a referral hospital for many GoK, FBO, NGOs and private health facilities within and outside Thika district.

On the in-patient side, the hospital has a capacity of 265 beds with an average occupancy of 311 patients, daily admission rate of 65 patients. The hospital has 2 medical wards, 2 surgical wards, 1 gynaecology, 1 maternity, 1 paediatric and 2 amenity wards bringing to a total of 9 wards. In addition, the eye unit has 16 beds which are used to accommodate the patients who undergo eye operations.

The out-patient department handles an average work load of 21,000 patients per month who are served in the various departments within the hospital as outpatient patients. This includes the patients with general ailments and those who come for specialized consultancy.

The top ten diseases and conditions are:

1. Respiratory infections
2. Malaria
3. Eye infection
4. Dental disorders
5. Disease of the skin
6. Ear infection
7. Diarrhoea
8. Rheumatism and Joint pains
9. Accidents (Includes cuts, wounds, burns etc)
10. Urinary tract infection

The hospital had 460 staff, 10 consultants, 8 medical officers, 240 nurses, 4 R.C.Os anaesthetists among other cadres. Several achievements had been made in the recent past which included construction of dental/ physiotherapy units, health records and information department, new incinerator, start of a perimeter wall, cobbling of car park, installation of fire fighting equipment and HMIS program and face lifting of the wards.

However, several constrains are evident which include poor infrastructure, shortage of staff, inadequate equipment, lack of ICU, inadequate casualty/ emergency unit, congestion of the OPD and maternity unit. The hospital's future plan include: construction of casualty with an ICU, expansion of maternity unit, construction of a psychiatry unit, construction of a pharmacy store, perimeter wall, procurement of utility vehicle and construction of a blood bank.

### **2.2 Mandate**

The PE has no documented mandate but they are using the one from the Ministry of Health Headquarters

### **2.3 Vision**

An efficient and high quality healthcare system that is accessible, equitable and affordable for every Kenyan.

### **2.4 Mission**

To promote and participate in provision of integrated high quality, promotive, preventive, curative and rehabilitative healthcare services to all Kenyans

### **2.5 Functions of Procurement Entity**

The function of TDH is to offer medical services. Some of the services offered are in respect to:

Diseases, Accidents (Includes cuts, wounds, burns etc) and Maternity cases

### **2.6 Funding**

From information contained in the records, the sources of funds spent during the financial year were as follows:

1. Allocation from Ministry of Health Kshs. 14,098,139.00
2. Revenue collected from Facility Improvement Fund Kshs. 38,431,975.00

### 3.0 REVIEW METHODOLOGY AND SPECIFIC FINDINGS

#### 3.1. Key Documents

In order to gather sufficient evidence in support of general and specific findings regarding compliance and performance, the team reviewed various documents which included but were not limited to:

- Tender register
- Quotations register
- Tender documents
- Quotation forms
- Local Purchase orders
- Delivery notes
- S.13 Receipt Vouchers
- S.3 Ledger Cards
- Tender committee members' minutes file
- Requests (notes) files
- Pending bills
- Standing committees appointment letters
- Controller and audit general, audit report from senior auditor Central Province
- F058 Board of survey report on disposal

Some of the key documents not availed included:

- Budget allocation (annual and revised estimates of expenditure) for the year under review
- Payment vouchers
- Cash book

#### 3.2 Interviews and Discussions

The team held discussions/ interviews with relevant staff members of the hospital who were directly involved in the procurement process. This was to ascertain general and specific information regarding the procurement/ disposal process, procedures and existing capacity at the hospital.

##### Persons Interviewed during the Review

Name	Title	Role
Dr J. Mwangi	Medical superintendent	Overall in charge of TDH
Priscilla Kanyiri	Procurement Officer	In charge of procurement
Samuel W. Karanja	Accountant	In charge of Accounts
Mary Owino	Nursing Officer	Receiving & issuing of non-pharmaceuticals
Dr. Gerald Munyao	Pharmacist	In charge of pharmaceuticals
Rosemary Wandia	Senior Clerical Officer	In charge of general store
James W. Mungai	Cook II	Stores Support staff

### 3.3 Sampling

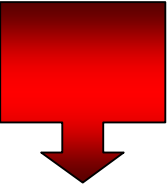
#### 3.3.1 Selection of Samples

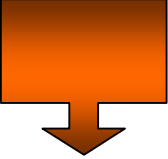
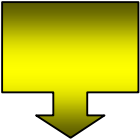
Samples of procurement transactions were selected in accordance with the procedures outlined in the procurement review manual. Twenty two samples were taken in the various procurement methods used by the PE during the financial year under review.


The review team estimated compliance level they would be looking for at 50% and the probability of non-conformity to be 93.75 %. The number of contracts, which were selected for review in order that a realistic review report is achieved, included all areas and categories of procurement process. With random selection of four there is a high probability of finding, one sample, which does not comply, can be found from the table below. This sampling table is adapted from international standard EN45503.

Number of samples	Estimated initial compliance with Public Procurement and Disposal Act 2005 %									
	10	20	30	40	50	60	70	80	90	100
Percentage Probability of finding a sample which does not comply with PPDA										
3	99.9	99.2	97.3	93.6	87.5	78.4	65.7	48.8	27.1	0
4	99.99	99.84	99.19	97.44	93.75	87.04	75.99	59.04	34.39	0
5	100	99.97	99.76	98.98	96.88	92.22	83.19	67.23	40.95	0
6	100	99.99	99.93	99.59	98.44	95.33	88.24	73.79	46.86	0
7	100	100	99.98	99.84	99.22	97.2	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	99.8	98.99	95.96	86.58	61.26	0
10	100	100	100	99.99	99.9	99.4	97.18	89.26	65.13	0

### 3.3.2 Rating Criteria

<p>Major Deviation <b>(DDD)</b></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> <ul style="list-style-type: none"><li>• Procurement procedures are not integrated within the financial framework of the entity;</li><li>• Main structures are not appointed and operationalised e.g.<ul style="list-style-type: none"><li>Accounting Officer</li><li>Tender Committee</li><li>Procurement Unit</li><li>Procurement Committee</li><li>Disposal Committee</li><li>Inspection and Acceptance Committee</li><li>Tender Opening Committee</li><li>Evaluation Committee.</li></ul></li><li>• Coverage not complete<ul style="list-style-type: none"><li>Procurement</li><li>Contract management</li><li>Disposal</li><li>Goods, works and service</li></ul></li><li>• Standard and specific committees not meeting as stipulated;</li><li>• No consolidated procurement plan linked to approved budget;</li><li>• Lack of procedures for making procurement decisions;</li><li>• Not adhering to the threshold matrix;</li><li>• Choice of improper procurement procedures;</li><li>• Procurements inflated;</li><li>• Lack of approved prequalified list for suppliers;</li><li>• Lack of annual disposal plan;</li><li>• Inappropriate influence on evaluation;</li><li>• Inadequate protection of confidential information;</li><li>• Lack of comprehensive procurement records;</li><li>• Tender committees not meeting as required;</li><li>• Tender evaluation committees not appointed in accordance with the Act;</li><li>• Not reporting to PPOA as required;</li><li>• Many key procurement records that are stipulated by law for retention are missing</li></ul> <p>Such cases warrant immediate attention by the Accounting Officer.</p>
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<p>Moderate Deviation (DD)</p> 	<p>Where procurement procedures were considered to have significant omissions or deviations, including:</p> <ul style="list-style-type: none"> <li>• Some procurement records are missing;</li> <li>• Lack of central comprehensive procurement files;</li> <li>• Procurement unit not functioning as per the regulations.</li> <li>• Lack of signatures on key minutes</li> <li>• Choice of selection procedure not justified;</li> <li>• Consolidated Procurement plan not updated;</li> <li>• Contracts awarded not from the approved list of suppliers;</li> <li>• Contracts over Ksh 5million not reported to PPOA;</li> <li>• Criteria for the evaluation of proposals not specified in the tender documents;</li> <li>• Award Letter missing;</li> <li>• Description of goods, works or services in the bid not adequate;</li> <li>• Entities with recurring or ongoing requirements have not analyzed their medium to long term needs to adopt long-term arrangements or framework contracts;</li> <li>• No evidence of analysis of bid documents by Tender Evaluation Committee;</li> <li>• No evidence of award by Tender Committee;</li> <li>• Lack of evidence of commencement certificate in contract missing;</li> <li>• Lack of evidence of contract being countersigned by AO;</li> <li>• Evidence of performance bond not in the contract file;</li> <li>• Inspection and acceptance certificates confirming delivery not available;</li> <li>• No justification/Authorization for Applying the method;</li> <li>• No authorized procurement requisitions;</li> <li>• Non-disclosure of tender evaluation details;</li> <li>• No specified period of validity of tenders;</li> <li>• Prequalification proceedings not adequate;</li> <li>• Absence of award criteria in tender documents;</li> <li>• Absence of procurement requisitions;</li> <li>• Record of procurement proceedings not comprehensive;</li> <li>• Lack of justification for direct and restricted procurement;</li> <li>• Termination of procurement proceedings not reported to PPOA; and</li> <li>• Inadequate oversight by internal auditor.</li> </ul> <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> <ul style="list-style-type: none"> <li>• Absence of an Award Letter in procurement file;</li> <li>• Absence of authorization Date of LPO;</li> <li>• Absence of Invoice copy in the procurement file;</li> </ul>

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

### 3.3.3 Limitation of Scope

- Poor Compliance of procurement records with the provisions of Section 45 of the Act and Regulations.
- Poor filing system and lack of procurement files.
- No relevant personnel to clarify issues related to the number of transactions which were selected for reviews.

### 3.3.4 Specific Findings

No.	Tender/ Quotation	Procurement Method	Findings	DDD	DD	D
1	MEDSUP/TDH/001/07-08 Supply of pharmaceuticals	ONT	No procurement plan.	X		
			Information on budget allocation not availed	X		
2	MEDSUP/TDH/002/07-08 Supply of Dressings and non-pharmaceuticals	ONT	No procurement plan	X		
			No information on budget allocations.	X		
3	MEDSUP/TDH/003/07-08 Supply of Dry Foods, Vegetables and Fruits	ONT	No procurement plan	X		
			No information on budget allocations.	X		
4	39/TDH/07-08 Supply of drugs	RFQ	No procurement plan.	X		
			No requisitions			X
			No extract of PC minutes	X		
			No procurement files		X	
5	36/TDH/07-08 Supply, installation and commissioning of incinerator	RFQ	No procurement plan	X		
			No procurement file		X	
			No procurement requisition			X
			No extract of PC minutes.	X		
			Invoices and payment documents not availed			X
6	51/TDH/07-08 Construction of perimeter wall and block paving	RFQ	No procurement plan	X		
			No procurement file		X	
			No extracts of PC minutes	X		
			Invoices and Payment documents not availed			X
			No procurement requisitions			X
7	38/TDH/07-08 Supply of Stationery	RFQ	No procurement plan	X		
			No requisition			X
			No extract of PC minutes	X		
			No procurement files		X	
8	28/TDH/07-08 Supply of Drugs	RFQ	No procurement plan	X		
			No procurement file		X	
			No extract of PC minutes	X		
			Invoices & payment documents not availed			X
			No procurement requisition			X
9	2/TDH/07-08 Supply of Drugs	RFQ	No procurement plan	X		
			Information on budget allocation not availed	X		
			No procurement requisition			X
			No extract of PC minutes	X		
			No quotation form		X	
			No invoices & payment documents			X
			Records and procurement proceedings not available		X	



No.	Tender/ Quotation	Procurement Method	Findings	DDD	DD	D
10	22/TDH/07-08 Supply of Drugs	RFQ	No procurement plan	X		
			Information on budget allocation not availed	X		
			No procurement requisition			X
			No extract of PC minutes	X		
			No procurement file		X	
11	24/TDH/07-08 Supply of gloves	RFQ	No procurement plan	X		
			Information on budget allocation not availed	X		
			No comparison analysis		X	
			No extract of PC minutes	X		
			No procurement files		X	
			Registration certificate NA		X	
12	45/TDH/07-08 Supply of Drugs	RFQ	No procurement plan	X		
			Information on budget allocation not availed	X		
			No procurement requisition			X
			No procurement file		X	
			Registration certificate & tax compliance not availed		X	
			Price comparison schedule & technical evaluation report not available		X	
13	44/TDH/07-08 Supply of Drugs	RFQ	No procurement plan	X		
			Information on budget allocation not availed	X		
			No procurement requisition			X
			Evaluation & price comparison schedule not available		X	
			Reg. certificate and tax compliance not available		X	
14	43/TDH/07-08 Supply of Electrical items	RFQ	No procurement plan	X		
			Information on budget allocation not availed	X		
			No procurement requisition			X
			Confidential business questionnaire (S33 form) not available.		X	
			Reg. certificate and tax compliance not available		X	
			Technical report not available		X	
15	8/TDH/07-08 Supply of Electrical Items	RFQ	No procurement plan	X		
			No procurement requisition			X
			Information on budget allocation not availed	X		
			Reg. certificate and tax compliance not available		X	
16	74/TDH/07-08 Supply of Films	RFQ	No procurement plan	X		
			No procurement requisition			X
			No information on budget allocations.	X		

No.	Tender/ Quotation	Procurement Method	Findings	DDD	DD	D
			No technical evaluation reports		X	
17	55/TDH/07-08 Supply of gloves	RFQ	No procurement plan	X		
			No procurement requisition			X
			No information on budget allocations.	X		
			No technical evaluation reports		X	
			Reg. certificate and tax compliance not available		X	
18	64/TDH/07-08 Supply of Bin Liners	RFQ	No procurement plan	X		
			No procurement requisition			X
			No information on budget allocations.	X		
			No technical evaluation reports		X	
			Reg. certificate and tax compliance not available		X	
19	41/TDH/07-08 Supply of Stationery	RFQ	No procurement plan	X		
			No procurement requisition			X
			No information on budget allocations.	X		
			No technical evaluation reports		X	
			Reg. certificate and tax compliance not available		X	
20	Supply of Toner Cartridge 13A	LVP	No procurement plan	X		
			No procurement requisition			X
			No information on budget allocations	X		
21	Supply of Strapping 4"	LVP	No procurement plan	X		
			No procurement requisition			X
			No information on budget allocations	X		
22	Supply of Barbed Wire	LVP	No procurement plan	X		
			No procurement requisition			X
			No information on budget allocations	X		

## 4.0 PROFILE OF PROCUREMENTS IN REVIEW PERIOD

### 4.1 Distribution of the procurement methods in the samples reviewed

- Open tender – 3
- Restricted tendering – 0
- Direct tendering – 0
- Request for quotation – 16
- Low value procurement – 3

### 4.2 Details of the Samples Reviewed

TENDER No.	ITEM DESCRIPTION	PROCUREMENT METHOD	VALUE IN (KSHS)
MED/SUP/TDH/ 001/07-08	Supply of Pharmaceuticals	ONT	Terminated
MED/SUP/TDH/002/07-08	Supply of dressings and non-pharmaceuticals	ONT	Terminated
MED/SUP/TDH/003/07-08	Supply of dry food vegetables and fruits	ONT	Terminated
2/TDH/07-08	Drugs	RFQ	78,000.00
8/TDH/07-08	Electricals	RFQ	95,700.00
22/TDH/07-08	Drugs	RFQ	216,500.00
24/TDH/07-08	Gloves	RFQ	770,000.00
28/TDH/07-08	Drugs	RFQ	48,800.00
36/TDH/07-08	Supply installation and commissioning of incinerator	RFQ	2,204,508.00
38/TDH/07-08	Stationery	RFQ	249,600.00
39/TDH/07-08	Drugs	RFQ	187,600.00
41/TDH/07-08	Stationery	RFQ	315,000.00
43/TDH/07-08	Electricals	RFQ	255,260.00
44/TDH/07-08	Drugs	RFQ	48,000.00
45/TDH/07-08	Drugs	RFQ	31,500.00
51//TDH/07-07	Construction of perimeter wall block paving	RFQ	1,864,930.00
55/TDH/07-08	Gloves	RFQ	830,000.00
64/TDH/07-08	Bin liners	RFQ	100,230.00
74/TDH/07-08	Films	RFQ	66,860.00
N/A	Cartridge 13A	LVP	7,000.00
N/A	Strapping 4”	LVP	25,000.00
N/A	Barbed Wire	LVP	9,600.00
<b>Total</b>			<b>7,404,088.00</b>

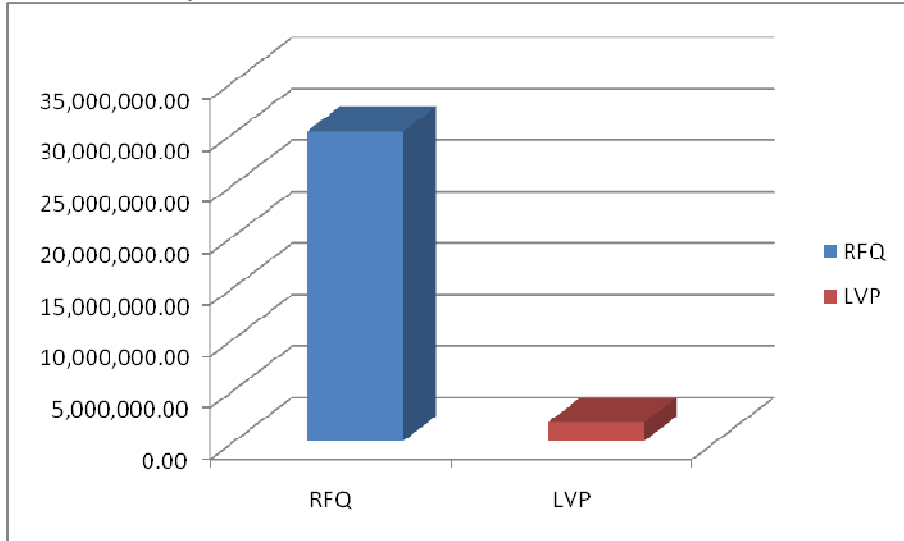
### 4.3 Procurement Methods (Instances and Values)

Procurement Method	Number	Value(Kshs)
OIT	-	-
ONT	3	Tender terminated
RT	-	-
RFQ	45	30,108,142.00
RFP	-	-
DP	-	-
LVP	44	1,811,100.00

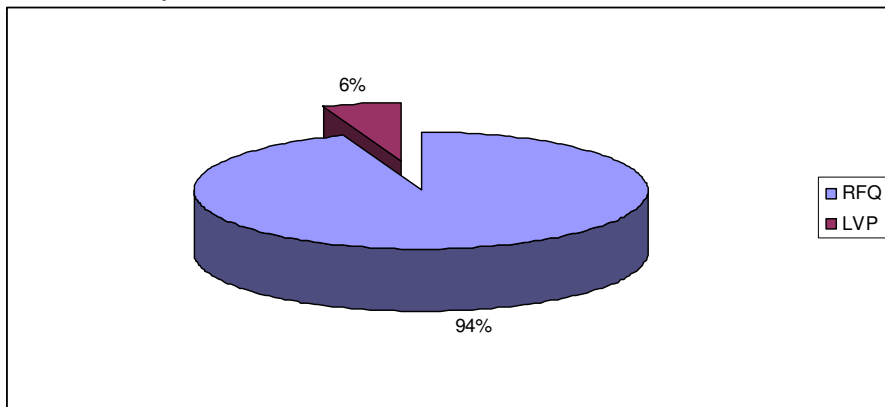
#### 4.4 Total Value of Procurements in the year under review

Procurement Method	Civil Works	Goods	Services	Total
OIT	-	-	-	-
ONT	-	-	-	-
DP	-	-	-	-
RFP	-	-	-	-
RFQ	3,724,180.00	19,455,980.00	6,927,982.00	<b>30,108,142.00</b>
LVP	-	1,811,100.00	-	<b>1,811,100.00</b>
<b>TOTAL</b>	<b>3,724,180.00</b>	<b>21,267,080.00</b>	<b>6,927,982.00</b>	<b>31,919,242.00</b>

#### 1 Total Value by Method of Procurement



#### Total Value by Method of Procurement



#### 4.5 Number of Procurements Reviewed

<b>Procurement Method</b>	<b>Civil works</b>	<b>Goods</b>	<b>Services</b>	<b>Total</b>
OIT	-	-	-	-
ONT	-	3		<b>3</b>
DP	-	-	-	-
RFP	-	-	-	-
RFQ	2	14	-	<b>16</b>
LVP	-	3	-	<b>3</b>
<b>Total</b>	<b>2</b>	<b>20</b>	<b>-</b>	<b>22</b>

#### 4.6 Number of Physical Inspections

<b>Procurement Method</b>	<b>Civil Works</b>	<b>Goods</b>	<b>Services</b>	<b>Total</b>
ONT				
DP				
RFP				
RFQ	2			2
LVP				
SPP				
<b>TOTAL</b>	<b>2</b>			<b>2</b>

## 5.0 GENERAL FINDINGS AND RECOMMENDATIONS

### 5.1 Internal Organization of the Procuring Entity

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

#### Findings

During the period under review the following was observed:

1. The composition of hospital Tender Committee did not have a Medical Clinician as a member pursuant to the second schedule of the regulations.
2. Inspection and acceptance committees were not established in accordance with Regulation 17(1, 2)
3. Procurement Committee was in place but was not operating pursuant to Regulation 13 (2), and Regulation 14
4. Disposal Committee was not in place pursuant to Section 128 and Regulation 92.
5. Evaluation Committees were not established as required pursuant to Regulation 16

However, it was noted that procuring entity has since formally established the above mentioned committees.

### 5.2 Procurement Unit

#### Findings

The procuring entity had an established Procurement Unit in accordance with Regulation 8(1) The existing Procurement Unit structure is as shown below:

#### 5.2.1. Procurement Staff

	Name	Designation	Qualification
1	Priscilla W. Kanyiri.	Procurement Officer II	Graduate Diploma CIPS
2	Rosemary W. Kariuki	Senior Clerical Officer	Certificate Supplies Management
3	Duncan N. Mwangi	Store-man II	Certificate Supplies Management
4	James W. Mungai	Cook II	

#### 5.2.2. Duties and Responsibilities

##### 5.2.2.1. Priscilla W. Kanyiri - Procurement Officer II

- Secretary to the Hospital's Tender and Procurement Committees as well as the Disposal committee
- Supervision of personnel in the store
- Procurement of goods and services
- Carry out stores administrative work.

##### 5.2.2.2. Rosemary Wandia Kariuki- Senior Clerical Officer In charge of:

- Non pharmaceutical store

- General store
- 5.2.2.3. Duncan Ndegwa Mwangi- Store-Man II In charge of:
- a) Pharmaceutical store
  - b) Food and ration store
- Duties and responsibilities:
- Raising quotations and price evaluation
  - Ordering and expediting orders
  - Member of the Inspection and Acceptance Committee
  - Responsible for the goods in the store
  - Maintenance of ledger cards
  - Issuing
  - Posting the issue
  - Facilitating payment
  - Keeping and updating records
- 5.2.2.4. James Wanyoike Mungai
- Duties and responsibilities:
- Carrying out subordinate work
  - Cleaning
  - Arranging the stores
  - Assisting the issues

### Recommendations

1. Further training for the staff to enhance their professional capacity.
2. Training and sensitisation of staff on the PPDA and PPDR.

### 5.2.3. Overall observation on Procurement Unit in relation to Regulation 8

	REQUIREMENTS OF REGULATION	OBSERVATION
1.	Maintain and update annually standing lists of registered tenderers required by the procuring entity and liaise with the Authority in respect of the Authority's register of suppliers and procuring agents. (Regulation 8.3a)	Had not been done
2.	Prepare, publish and distribute procurement and disposal opportunities including innovations to tender, pre-qualification documents and innovations for expressions of interest. (Regulation 8.3b)	Was being done
3.	Coordinate the receiving and opening of tender documents. (Regulation 8.3c)	Was being done
4.	Maintain and safeguard procurement and disposal documents and records in accordance with these regulations. (Regulation 8.3d)	Was being done but as provided by Section 45
5.	Submit shortlists and lists of pre-qualified tenderers to the tender committee or procurement committee for approval. (Regulation 8.3e)	Was not being done
6.	Issue procurement and disposal documents to candidates in accordance to the Act and these Regulations. (Regulation 8.3f)	Was being done
7.	Propose the membership of evaluation committee to the Accounting Officer for approval. (Regulation 8.3g)	Was being done
8.	Coordinate the evaluation of tenders, quotations and proposals. (Regulation 8.3h)	Was being done
9.	Recommend a negotiating team for appointment by the Accounting Officer where negotiations are allowed by the Act and these Regulations and participate and negotiations. (Regulation 8.3i)	Was not being done
10.	Prepare and publish notices of award and notices of tender acceptance. (Regulation 8.3j)	Was not being done
11.	Prepare contract documents, in line with the award decision.(Regulation	Was being done

	8.3k)	
12.	Prepare and issue rejection and debriefing letters. (Regulation 8.3l)	Was not being done
13.	Prepare contract variations and modifications to documents. (Regulation 8.3m)	Not seen during the review
14.	Maintain and archiving documents and records of the procurement and disposal activities for the required period. (Regulation 8.3n)	Was not being done
15.	Provide information, as required, for any petition or investigation to debar a tenderer or contractor or any investigation under review procedures. (Regulation 8.3o)	Was not being done
16.	Implement the decisions of the procurement, tender and disposal committees including coordinating all activities of these committees. (Regulation 8.3p)	Was being done
17.	Act as a secretariat to the tender, procurement and disposal committees. (Regulation 8.3q)	Was being done
18.	Liaise with the Authority and other bodies on matters related to procurement and disposal. (Regulation 8.3r)	Was being done
19.	Prepare and submit to the Authority reports required under the Act, these Regulations and guidelines of the Authority. (Regulation 8.3s)	Not done during the time of review
20.	Monitor Contract management by user departments to ensure implementation of contracts in accordance with the terms and conditions of the contracts. (Regulation 8.3t)	Was being done
21.	Report any significant departures from the terms and conditions of the contract to the head of the procuring entity. (Regulation 8.3u)	Was being done
22.	Advise the procuring entity on aggregation of procurement to promote economies of scale (Regulation 8.3x).	Was not being done
23.	Co-ordinate internal monitoring and evaluation of the supply chain function. (Regulation 8.3y)	Was not being done
24.	Carry out periodic market surveys to inform the placing of orders and adjudication by the relevant award committee. (Regulation 8.3z)	Was not being done
25.	Conduct periodic and annual stocktaking. (Regulation 8.3aa)	Was being done
26.	Certify the invoices and payment vouchers to suppliers. (Regulation 8.3bb)	Was not being done
27.	Approve extension of the Tender validity period. (Regulation 8.3cc)	Was being done
28.	Verify that the available stock levels warrant initiating a procurement process. (Regulation 8.3ee)	Was being done

### 5.3 Procurement Plans

#### Findings

During the year under review, there were no procurement plans as provided for by Section 26 (3) of PPDA and Regulation 20 of PPDR. However, it was noted that the PE has since been preparing annual procurement plan.

#### Recommendations

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

### 5.4 Authorization of purchase requisition

#### Findings

1. Official requisitions are in place but are not processed in accordance with Regulation 22.
2. Threshold Matrix was not observed, for example. RFQ No. 36/TDH/07-08 Supply, Installation and commissioning of incinerator valued at Kshs. 2,204,508.00

#### Recommendations

1. Purchase requisitions should be processed as provided for by Regulation 22



- a) All purchase requisitions should be signed by the person responsible for procurement initiation e.g. HoDs
  - b) The requisition should be based on annual procurement plans and budgetary allocation.
2. The provisions of the threshold matrix should be observed

## **5.5 Use of Manuals**

### **Findings**

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

### **Recommendations**

The PE should develop an internal procurement manual and administrative guidelines, pursuant to Section 9(c)(i) and Regulation 30 guided by the Procurement manual that has been developed by PPOA.

## **5.6 Prequalification Mechanisms**

### **Findings**

The PE does not have a prequalification mechanism in place.

### **Recommendations**

The PE should initiate prequalification procedures as provided for by Section 32 of the PPDA.

## **5.7 Registration of Suppliers**

### **Findings**

There is no clear mechanism of registration of suppliers.

### **Recommendations**

The PE should maintain and update annually standing lists of registered tenderers required by the procuring entity and liaise with the Authority in respect of the Authority's register of suppliers and procuring agents. (Regulation 8.3a)

## **5.8 Procurement Record Management**

### **Findings**

There were no procurement files and as a result procurement records were scattered in various locations. It was difficult to track a procurement process from initiation to completion.

### **Recommendation**

Procurement files/records should be maintained for each procurement and contain all the details as provided for in Section 45(2) of PPDA and Regulation 34(3) of PPDR.

## **5.9 Contracting and contract Management**

### **Findings**

Files for the two contracts carried out in the financial year were not available.

**Recommendation**

Records for every procurement should be kept for at least 6 years after resulting contract was entered into as provided for in Section 45(1) of PPDA.

**5.10 Inspection and Acceptance Committee**

**Findings**

Inspection and Acceptance Committee was not in place pursuant to Regulation 17(1, 2).

**Recommendations**

The PE should establish an Inspection and Acceptance committee pursuant to Regulation 17 (1, 2).

**5.11 Disposal Committee**

**Findings**

A disposal committee was not in place pursuant to Section 128 of the Act and Regulation 92(1). Among the items which should have been disposed of during the period under review is a Land Rover GK 186Q which is still lying in the compound incurring further deterioration and depreciation.

**Recommendations**

The Disposal committee should be established pursuant to Regulation 92(1) and Section 128.

**5.12 Mandatory Reporting**

**Findings**

Mandatory reporting to PPOA has not been observed as provided for by Regulation 8(3)(s) of PPDR and by PPOA circular No. 3/2008 as in the case of termination of procurement proceedings of Tender No. MED/SUP/TDH/ 001/07-08 Supply of Pharmaceuticals.

**Recommendations**

Mandatory reporting to PPOA as provided for by Regulation 8(3)(s) of PPDR and by PPOA circular No. 3/2008 should be adhered to.

**5.13 Storage Facility**

**Findings**

The procuring entity operated segmented stores. Storage was based on the nature of the goods which were pharmaceuticals, non-pharmaceutical and food stuff. However there were cases where the said goods were being stored together. Bulk and non-bulk packages were stacked together.

Expired and non-expired drugs were stored together; an example of this is given below, among many others that were in the store.

**Expired Drugs:**

Description	Quantity	Estimated Unit Cost	Value	MFG	Expiry Date
Bacti Gauze	50	120.00	6000.00	Jan-06	Feb-08
Carbimazole	15	2483.00	37247.00	Jan-05	Jan-08

**Non expired Drugs:**

<b>Description</b>	<b>Quantity</b>	<b>Expiry Date</b>
Doxycycline Capsules	40,000 caps	2010
Chlorpheniramine	4000 AMPS	2010

**Recommendations**

1. Adequate warehouse should urgently be provided with adequate facilities to allow efficient storage, free movement of goods and personnel and a centralized stores operation.
2. Expired drugs should be identified, stored separately and disposed of.

**5.14 Stock Taking at the Facility****Findings**

Annual stock taking was conducted in July 2007 in the pharmacy and General stores. The exercise was conducted by departmental heads and a store man. Spot checks were also conducted at random to establish expired drugs. No reports on their findings were compiled.

**Recommendations**

Periodic and annual stock taking as is provided for by Regulation 8(3)(aa) should be done for all stock items.

## 6.0. EXIT MEETING

An exit meeting with the Thika District Hospital's management team was organized on 8<sup>th</sup> Dec 2009 after the fieldwork and compilation of the Final Draft Report. Mr. P.K. Ndung'u, the Ag. Deputy Manager Compliance led both the PPOA and Lindi Agencies Ltd. teams in the exit meeting. The PE's team was led by Dr. Jonah Mwangi, the Medical Superintendent. The meeting was held in the Hospital's Boardroom.

### Present

Name	Designation	Organization
Dr. Jonah Mwangi	Med Sup	TDH
A. Maina	HA In-charge	TDH
Priscilla W. Kanyiri	Procurement Officer	TDH
E.M. Munene	DNO	TDH
E.W. Wamugi	Medical Engineering Technologist	TDH
Faith W. Chitui	Cateress	TDH
Peter K. Ndung'u	Ag. Deputy Manager Compliance	PPOA
Joseph K. Kimani	Asst. Snr. Compliance Officer	PPOA
Vivian N. Otieno	Compliance Intern	PPOA
N.N Wachira	Team Coordinator	Lindi Agencies Ltd.
Ernest W. Kinuthia	Team Leader	Lindi Agencies Ltd.
Mrs. M. A Edebe	Consultant	Lindi Agencies Ltd.
J.W Wamaguru	Consultant	Lindi Agencies Ltd.
W.K. Murithi	Consultant	Lindi Agencies Ltd.

### Purpose of the Exit Meeting

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

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

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

Some of the key areas that Mr. Ndung'u emphasized in the light of the findings in the report include:

1. Lack of Procurement planning during review period.
2. Failure to make Mandatory reports to PPOA
3. Poor Records management

**Presentation of the Key Review Findings by the Consultants and the PE's Response.**

Mr. Kinuthia, team leader, Lindi Agencies presented a summary of the key findings contained therein the final draft report which had been forwarded by the PPOA to the PE.

The PE, led by the Medical Superintendent on its part confirmed that the report had been received and studied and having been taken through the summary of the key findings felt that it was a fair and accurate record of the situation as it was during the financial year under review. The PE however indicated that a lot have been implemented and achieved and therefore the current picture is totally different as shown in the action plan below.

**Way Forward**

In view of the above and based on the findings contained in the report, recommendations for improvement in form an action plan which would be implemented by the procuring entity and monitored by PPOA was discussed and agreed upon with the Thika District Hospital

## 7.0 ACTION PLAN

No.	Tasks	Lead Accountable	Time	PPOA Review Date
1	All procurement should be within the approved budget of the PE and shall be planned through an annual procurement plan	Medical Superintendent, HoDs and Head of Procurement	Done	
2	<ol style="list-style-type: none"> <li>1. All purchase requisitions should be signed by the person responsible for procurement initiation</li> <li>2. The items in the requisition should be specified and quantified to facilitate proper procurement.</li> <li>3. The requisition should be based on budgetary allocation and annual procurement plans.</li> </ol>	Medical Superintendent, HoDs and Head of Procurement	28 <sup>th</sup> February, 2010	
3	The PE should develop an internal procurement manual and administrative guidelines, pursuant to Section 9(c)(I) and Regulation 30 guided by the Procurement manual that has been developed by PPOA.	Medical Superintendent, Head of Procurement	31 <sup>st</sup> December, /2010	
4	<ol style="list-style-type: none"> <li>(i)The PE should initiate prequalification mechanisms as necessary.</li> <li>(ii)Registration mechanism for suppliers and contractors should be put in place.</li> </ol>	Head of procurement	Done	
5	(i)Procurement files should be maintained for each procurement and contain all the details as provided for in Section 45(2) of PPDA and Regulation 34(3).	Medical Superintendent, Head of procurement	Being implemented	
	(ii)Records for every procurement should be kept for at least 6 years after resulting contract was entered into as provided for in Section45(1) of PPDA.	Medical Superintendent, Head of procurement	Being implemented	
6	The provisions of the threshold matrix should be observed	Medical Superintendent, Head of procurement	Being implemented	

No.	Tasks	Lead Accountable	Time	PPOA Review Date
7	Adequate warehouse should urgently be provided with adequate facilities to allow efficient storage, free movement for goods and personnel and a centralized stores operation.	Medical Superintendent, Head of Procurement	31 <sup>st</sup> December, 2011	
	Expired drugs should be identified, stored separately and disposed off.	Head of Procurement & Head of Pharmacy	Being implemented – 28 <sup>th</sup> February, 2010	
8	Mandatory reporting to PPOA as required by circular No. 3/2008 should be adhered to.	Medical Superintendent and Head of Procurement	31 <sup>st</sup> December, 2009	
9	Annual stock taking should be carried out by a team appointed for that purpose. A report should be compiled to show all the discrepancies noted by the team and give recommendations for further action.	Medical Superintendent and Head of procurement	Being implemented	
10	Further staff training and sensitization of procurement staff	PPOA and Medical Superintendent	31 <sup>st</sup> March, 2010	

## **8.0 CONCLUSION**

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

TDH was procuring goods and services using funds received from Ministry Headquarters and patients in form of cost sharing, without procurement plans.

Lack of use of open tender for supply of pharmaceuticals and non-pharmaceuticals items, had resulted in the procurement entity excessively using RFQ and LVP to procure their requirement. Consequently the purchases were uncoordinated and uneconomical without planning of quantities, competitive bidding and scheduling of deliveries. The management is urged to demonstrate greater commitment to follow the law in their operations.

Procurement related records were scattered all over and not properly managed. Any misplacement and or loss of document could not be easily detected. This was found to be a major challenge to the procurement unit.

Lack of adequate storage facility for pharmaceutical and non-pharmaceuticals has led to undetected deterioration of stores. This area requires urgent attention.

Considering the volume of work flow and value of stocks, both pharmaceutical and non-pharmaceutical, the capacity of procurement staff in terms of numbers and skills is inadequate and in dire need of strengthening through training.

The procuring entity is urged to fast track implementation of the agreed actions steps contained in the action plan to improve the compliance level to the Procurement Law and guarantee transparency, accountability and value for money.