



**SUMMARY OF THE PUBLIC PROCUREMENT AND ASSET DISPOSAL
ASSESSMENT REPORT FOR KENYA MEDICAL RESEARCH
INSTITUTE FOR 2017/2018 FINANCIAL YEAR**

SEPTEMBER, 2018

This report is a product of a Procurement and Asset Disposal Assessment conducted by the Public Procurement Regulatory Authority (the Authority) pursuant to its mandate under the Public Procurement and Asset Disposal Act, 2015 (the Act). Section 9 of the Act bestows on the Authority the responsibility to monitor the public procurement system and report on the overall functioning and recommend any actions required for improvement. Part IV of the Act, further requires the Authority to ensure that the procurement procedures established under this Act are complied with. Specifically, Section 43 of the Act gives the Authority powers to assess procurement and asset disposal records / systems as a way of monitoring compliance.

In view of the above, a procurement and disposal assessment of Kenya Medical Research Institute was conducted from 11th to 13th September, 2018. The assessment covered procurement and disposal proceedings for the period 1st July, 2017 to 30th June, 2018. The main objective of the assessment was to determine the extent to which the Procuring Entity (PE) complied with the Act and the applicable regulations; circulars and directives issued by the Authority and other generally acceptable professional best practices, in conducting their procurement and disposal activities. The assessment also aimed at identifying strengths and weaknesses (if any), as well as risks inherent in the procurement system and propose remedial measures to address the weaknesses identified.

3 An Entry Meeting with the PE's representatives was held on 11th September, 2018 to discuss the scope of the assessment, the assessors' and PE's expectations, access to documentation and other issues relevant to the exercise. For purposes of assessing the procuring entity's compliance and risk levels, the assessors examined sampled contracts and focussed on two broad indicators namely: institutional arrangements, procurement and disposal processes. The sampling was done randomly but in a structured manner to include all item categories (i.e. goods, works, services and disposals) and procurement and disposal methods used during the period under assessment. The review used qualitative and quantitative data collection methods. The methods included interviews, observation, confirmation and examination of records.

The assessment was mainly limited / constrained by documents not availed on time by the procuring entity.

The procuring entity had established the Procurement Function with 12 members of staff; Headed by Manager Supply Chain Management who reports to the Director. All the twelve (12) officers have professional qualification in procurement and are members of the KISM. The function had good working facilities and equipment. However, the staffing of the function has a deficit of 16 officers against the staff establishment of the institute.

A draft Procurement and Disposal Procedures Manual had been prepared by the procuring entity to aid in its decision making process. There was a disposal committee appointed during the financial year under assessment, however there were still several items lying across the procuring entities offices awaiting disposal.

Individual procurement files were maintained. However, the files were not labeled and the documents in the file were not allocated folio numbers. Further, the files were incomplete as some of the key records were not in the file.

The procuring entity had a procurement plan for the 2017-2018 financial year. However, it was not prepared in the appropriate format and is not approved. In addition it does not clearly show the procurements reserved for enterprises owned by youth, women and persons living with disability.

The institute does not submit reports on procurement awards to the Authority. Quotation and Tender box are in place and located in easily accessible place. Keys for each box are kept by different officers. The institute had a secure store. However, it was not well arranged and had many files in place. Receipt and issuance of stores items could not be verified since Physical and Ledger scores were not tallying. In addition, the storage facility is too small. The Institute has not fully embraced e-procurement.

The institute is required to; adequately staff the procurement function in accordance with the approved staff establishment, develop and approve Procurement and Procedures Manual pursuant to Section 45 of the PPADA, ensure the disposal committee carries out its functions as required by Section 163 to 166 of the PPADA and the Regulations, maintain complete procurement files in accordance with Regulation 34(3) of the PPDR and the PPRMPM and ensure the documents are filed in the order they were generated and be given folio numbers, Prepare procurement plan in accordance with Legal Notice 1 of 2016 and allocate at least 30% of the procurement budget to enterprises owned by youth, women and persons living with disability pursuant to Section 53(6) and 157(5) of the PPADA and ensure the plan is submitted to the Authority 60 days after the commencement of the financial year and submit reports on contracts awards to the Authority in accordance with Section 139(2) of the PPADA and directives issued by the Authority.

The procuring entity maintained a procurement plan for the year under assessment with some of the procurements processed indicated. Other procurements processed were not indicated in the procurement plan e.g. Tender No KEMRI/HQS/004/2017-2018 for the provision of GBA, WIBA and Public Liability. The assessment team was not able to ascertain the accuracy of the estimated costs of the items due to consolidation of several procurements into one item or lack of the items in the procurement plan.

The procuring entity initiated most of the procurements processed using approved purchase requisitions. The requisitions were assigned reference number, approved by the Deputy Director Administration and Finance after the head of department had confirmed availability of funds. Estimated cost of the item and brief description of requirements was provided in most of the requisitions. Open tender and Request for Quotations was used by the procuring entity for most the procurements sampled and assessed. The appropriate thresholds were observed where Request for Quotations were used.

It could not be ascertained whether standard tender documents issued by the Authority was used by the procuring entity in the processing of open tenders for lack of a copies of the blank tender documents issued out to bidders. Regarding Request for Quotations, name of procuring entity, description of the item, date and place of submitting the tender in most of the documents issued out to bidders. However, it was noted the document was not the standard request for quotation form issued by the Authority. In some instances the document issued out to bidders as indicated above lacked terms and conditions as required.

Copies of the invitation to tender for open tenders submitted by the procuring entity indicated closing and opening date, place of obtaining bid document and submission/opening of bids and

ppada,2015,requiring a procuring entity to evaluate tenders for a period not more than thirty 30 days from the date of opening of tenders. Decisions made by the procuring entity were made without a market survey.

Professional opinion was prepared by the head of procurement function and approved by the accounting officer for most of the procurements processed by the procuring entity during the financial year under assessment

The tender validity period for most of the tenders was not indicated in the invitation to tender. Since copies of most of the blank tender documents issued out to bidders were not availed, the assessment team was not able to ascertain if tenders were being awarded within the tender validity period by the procuring entity.

Most of the tenders and Request for Proposals processed by the procuring entity was awarded by the accounting officer. There was no award for any of the tenders processed through Request for Quotations except issuance of LPO/LSOs. Only the successful bidders were notified of the outcome where open tenders and Request for Proposals were used. In the case of Request for Quotations neither the successful bidders nor the unsuccessful bidders were notified of the outcome.

In all its procurements the procuring entity never required successful bidders to submit performance security before entering into written contracts. It was not therefore not clear how the procuring entity intended to cushion itself from the risk of non-performance.

Written contracts between the procuring entity and the successful bidder were entered into. Relevant documents as provided by Section 135 were listed as part of the contract. Local Purchase Orders/Local Service Orders were issued in place of contracts where request for Quotations were used. There were instances where contracts signed were not dated and did not provide contract duration for example Tender No KEMRI/RFP/08/2017-2018 for the proposed procurement of manufacturing services.

Publication of contracts was not done by the procuring entity. Inspection and acceptance committees/contract implementation teams were not appointed for most of the procurements processed by the procuring entity. Although the appointment was not done there were instances where inspection and acceptance was carried out. A signed inspection and acceptance certificate was issued stating that those who inspected confirmed the specifications in the bid document. Goods received note issued before the item was taken on charge. There was no evidence from the procuring entity of any contract monitoring.

Payment information was not provided by the procuring entity. The assessment team was therefore not able to ascertain whether bidders were being paid in accordance with the contractual terms. The procuring entity maintained individual procurement files, however some procurement files were missing in the files. Extract of the procurement plan, copy of the blank tender document issued out to bidders, inspection and payment records were missing in some of the files e.g. in individual file for Tender No KEMRI/HQS/005/2017-2018 for the Provision of Insurance against Burglary, Fire and Peril.

Upon conclusion of the assessment the overall compliance and risk rating of the PE's procurement and asset disposal system was determined based on compliance and risk rating criteria defined in the Authority's Compliance Monitoring Manual. To this end Kenya Medical Research Institute has attained a compliance level of **56.80 %** which is marginally compliance with a moderate risk of **43.2%**.

The procuring entity should staff the procurement unit in line with the staff establishment, set aside 30 % of the procurement spend to enterprises owned by youths, women and persons with disability, maintain complete procurement files, appoint all members of the tender opening committees, adhere to evaluation criteria during evaluation, sign contracts within the tender validity period, submit all mandatory reports to the Authority, update store records on time, appoint inspection and acceptance committees and contract implementation teams. Detailed recommendations for addressing the weaknesses are captured in Section Four of this report. The procuring entity should implement the recommendations within the specified timelines and update the Authority on the same for purposes of follow up.

