



**THE PRESBYTERIAN UNIVERSITY OF EAST AFRICA**

**PROCUREMENT MANUAL- POLICIES AND PROCEDURES**

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## Interpretation of terms

Pre-qualification - the procedure of identifying qualified suppliers/persons or contractors

1. Procurement cycle - the process that begins with initiation of an individual requirement to when goods, or services have been delivered and accepted.
2. Tenderer - a supplier/person submitting a tender
3. User department - Means the department which initiates procuring proceedings
4. Stock item - Those items that are regularly used and therefore kept in stock so that they are available for use when needed.
5. Non-Stock Item - item not stocked within the jurisdiction of PUEA stores but procured directly from supplier when required by the user.
6. Service - Benefit given in the provision of the need or system of supplying a need. These include machine services contract and specialized jobs.
7. Approved suppliers list - This is a list of developed suppliers approved by the University through a prequalification process.
8. Navision - A Microsoft Enterprise Resource Planning (ERP) system.
9. PR - Purchase requisition
10. Continuous stock take -Where a twelve-month (annual) program is prepared for continuous stock to cover every stock item during a financial year.
11. Periodic stock takes - where stock take is performed at regular intervals (usual] - at the end of a period. e.g. monthly, quarterly etc.).
12. Economic order quantity - Amount of inventory to be ordered at one time for purposes of minimizing annual inventory cost.
13. Minimum level or **minimum** stock: Level of stock below which stock should not be allowed to fall
14. Reorder level: Level of materials at which a new order for supply of materials is to be placed. It is fixed between maximum and minimum levels. Order point is based on usage during time necessary to requisition, order and receive materials.

## 1.0 Overview

### 1.1 Purpose of the Manual

This manual detail the policies and step by step procedures of The Presbyterian University to be followed in the procurement of goods, works and services. These policies and procedures are designed to: -

- Provide uniform procedures for the procurement of goods, works and services
- Ensure transparency and accountability of all players in the procurement process
- Enhance competitiveness
- Promote consistency in the application of best international practices
- Provide a guiding tool for auditing function at the Institution
- Streamline the procurement process to ensure that effective and efficient methods of procurement are used at all times

Overall, it will provide a single document that will enable all user departments understand the procurement process and their role in the process.

### 1.2 Distribution of the manual

The manual should be distributed to all Heads of departments, including all staff involved in procurement activities.

### 1.3 Procedure/or review and update

This manual will be updated from time to time in response to any changes that may be necessary in view of the dynamic environment we are operating in. The need for revision could be necessitated by: -

- Policy changes
- introduction of new improved practices, policies or procedures
- Lessons gained from practical experience

1.3.1 : Where a revision to the Manual is deemed necessary, a formal request may be submitted by a requesting department to the Finance department in accordance with the following procedure: -

The request shall state the purpose of the revision and provide a comprehensive justification, together with the precise changes suggested to the relevant text of the Manual.

The request shall be approved as presented or modified by the relevant Management/Council Tender Committee and authorized by the Vice Chancellor. The request may also be rejected with reasons.

## 2.0 Principles of Procurement

The overall objective of The Presbyterian University procurement system is to provide value for money to the institution by ensuring that the institution moneys are spent in a transparent, efficient and fair manner.

### 2.1. *Best value for money*

The Presbyterian University's procurement section must achieve the best return and performance for money being spent. Price is not the sole indicator of value. Other factors in determining value for money include: -

- Contribution to the advancement of the institution's priorities
- Non-cost factors such as fitness for purpose, quality, service and after *sales* support
- Cost related factors including whole-of-life costs and transaction costs associated with acquiring, using, holding, maintaining and disposing of the goods or services.

#### 2.1.1 *How to assess value for money*

When purchasing goods, works or services. The task is determine which supplier's total offer will provide the best Value for money.

The following questions will assists assess value for money:

- Which option will contribute the most 10 advancing particular institution priorities?
- What non-cost factors affect value for money?
- What is the market/real cost of the goods and/or services?

### 2.2 *fairness, integrity and Transparency*

The Presbyterian University procurement's system will ensure value for money in the procurement of goods, services and works are obtained. The procurement system aims at procuring goods, services and works of right quality at the right price at the right time and the right place through an open competitive process.

The procurement system requires the following:

- All institution officials and practitioners of procurement shall be held accountable and responsible for their actions.
- Procurement shall be done in the most efficient manner, upholding the principles of value for money, transparency and fairness.
- Value for money can be demonstrated by comparison with market rates.
- An appropriate Code of ethics is followed by all staff involved in procurement processes.

### 2.3 *Open and Effective approach*

A basic principle of procurement is to provide ample and equal opportunities for participation to interested and qualified suppliers of goods, work and services. This ensures healthy and effective competition. To help facilitate this process, the suppliers/contractors to be considered in the procurement transaction should meet certain qualifications the Institution considers appropriate. The criteria include legal capacity, financial strength, professional and technical

expertise of the supplier, history of past performance, compliance with safety and environmental regulations and be registered with applicable authorities.

To ensure that this is procedurally and systemically done, the Institution will periodically; annually or biannually, produce an updated list of suppliers who meet the above eligibility criteria.

#### *2.4: Separation of duties to attain checks and balances*

##### *2.4.1 General procurement responsibilities of the Procurement section*

The broad objective function is to obtain **all** goods and services required by the institution at the most attractive terms taking into account the aspects of: price, quality, specification, delivery time, credit terms, currency, suitability and compatibility, level of service, standardization, special offers, special delivery terms, shelf life, handling costs etc.

The procurement section's specific responsibilities include:

- a) to receive and process requisitions for all user requirements in Navision (ERP software).
- b) where procurement is by quotation, obtain competitive quotations from a pool of pre-qualified suppliers,
- c) where and when appropriate to advertise for expressions of interest for tendering and to produce lists of suitable qualified suppliers;
- d) evaluate quotations or tenders and make appropriate recommendations to the tender committees for further evaluation and adjudication.
- e) to negotiate with suppliers as much as is practicable and in a transparent manner. Where negotiations are necessary, especially for large purchases in tendered items, the Vice Chancellor will nominate person(s) to spearhead the negotiations and report back to the Procurement Tender Committee of Council.
- f) To place orders with selected suppliers based on approved suppliers,
- g) to monitor progress on enquiries and expedite undelivered orders.
- h) do supplier visits, evaluate and appraise suppliers.
- i) Certify invoices for payment, coordinate with accounts for payment of suppliers and resolve issues if any.
- j) review and process claim against suppliers
- k) conduct periodic and annual stock taking.

##### *2.4.2. General procurement responsibilities of the user department*

The user department shall be responsible of:

- a) initiating procurement requirements through the ERP through stores/purchase requisitions
- b) preparing technical specifications for use for procurement purposes and by the relevant procurement committees
- c) participating in the evaluation of tenders, proposals or quotations pertaining to the department
- d) carrying out inspection of goods, work or services at the time of receipt to ensure conformity with stated specifications before acceptance, endorsing delivery notes
- e) assisting in the preparation of procurement plans and contracts and any other procurement responsibilities as may be required from time to time in accordance with the Procurement Policies and Regulations of the institution.

### 3.0: Procurement Process

The procurement process/cycle is the process that begins with the initiation of an individual procurement requirement to when the goods, works or services have been delivered and accepted.

#### 3.1 Steps in a procurement cycle/process

- Identification of requirement/needs
- Specification of requirement
- Submission of requisitions
- Choice of procurement method
- Quotations/tender notices
- Receipt of bids
- Opening of bids
- Examination and evaluation of bids
- Procurement/tender committee adjudication
- Communication of tender committee decision
- Raising of orders and contract signing
- Execution of orders/contracts
- Receipt of Goods/works/services

#### 3.2.1: identification of need/requirement

The purpose of material requirements may be operational or for development (capital). The responsibility for identification of requirements is therefore at two levels: departmental and organizational level.

methods or policy guiding the identification shall be:

- Objectives of the Presbyterian university
- The benefit of the requirement to the University
- Service level to be achieved, when the need is fulfilled

#### 3.2.2: specification of requirement

The purpose of specification is to provide the information that is required in order to reliably meet the user's expectation. A specification is an explicit set of requirements to be satisfied by a material product or service. The specification content should therefore consist of definitive description, technical explanations/characteristics, dimensions etc. Samples may also be used to describe a requirement: thus the term "as per sample" The description can be very simple for products but can be complicated and voluminous if it refers to major works to be carried out by a contractor.

The specifications must be clear, to avoid ambiguity in the tendering system and delivery of wrong/different materials or services.

Should a material, product or service fail to meet one or more of the applicable specifications, it *may* be referred to as out of specification: abbreviation OOS may be used.

Specifications may be developed by;

- the procurement unit,
- user department or user of the product or service,
- committee composed of users and other stakeholders or
- the services of a professional body may be engaged especially for requirements of a technical nature or for big projects e.g. buildings.

### *3.3.0. Requisitioning for need/requirement*

Users will notify procurement of their requirements through purchase/stores requisitions electronically in Navision (ERP).

A stores/purchase requisition or purchase request is a document generated by an internal department to notify the procurement department of items it needs to order, their quantity and time frame. It must contain the authorization to proceed with the purchase or issue from the stores. The notification can be done through a stores requisition note (SRN) or Purchase requisition note (PRN)

The purchase need for stock items shall be initiated by the stores section based on the established re-order levels for various stackable items.

As part of an organization's internal financial controls, the accounting department may institute a purchase requisition process to help manage requests for purchases. Requests for the creation of purchase of goods and services are documented and routed for approval within the organization and then delivered to the accounting group.

Purchase requests are tracked against internal budget.

#### *3.3.1: Requisition Processing*

There are two types of requisitions both of which can be designed in the ERP. Specific guidance on the circumstances in which each type of purchase requisition is required is as shown below:

#### *3.3.2: store/stock requisition*

These requisitions should be raised for all requirements relating to stock items.

#### *3.3.3: purchase requisitions*

Purchase requisitions are raised for non-stock items.

#### *3.3.4: Creation and approval of Purchase Requisitions*

All purchases of goods and services are raised electronically in ERP and should be approved or released as per the institution's authority limits. The department raising the requisition should give the full specification/description of items required, make/type, quantity and the time frame within which the goods should be delivered.

Fully approved requisitions are available to the purchasing section for conversion into orders in line with the Presbyterian University's policies. Once the institution implements the use of



budgets, the approval of requisitions shall be subject to availability of funds from the budgeted costs. This will assist the institution control its costs to ensure that business profitability targets have been met. The ERP system shall add the current requisition to the costs to date and compare to the budget if the expenditure is not budgeted for or the budget has been exceeded, the system shall hold the requisition unless approved by the head of Finance, Deputy Vice Chancellor (F & A) and/or the Vice Chancellor, depending on the approval levels.

All requirements for development projects or capital expenditure whose value exceeds Ksh. One million have to be approved by the Development and Finance committees of Council.

### 3.3.5: Purchase requisition Authorization Levels

The limits of authority for approval of purchase requisitions have been defined as shown below:

<b>Budgeted</b>	<b>Approval</b>
Ksh. 5,000,000.00	Council
Ksh. 1,000,000.00	Vice chancellor
<b>Unbudgeted</b>	<b>Approval</b>
Over Ksh. 1,000,000.00	University Council
Up to Ksh. 1,000,000.000	Vice chancellor
<b>Other expenditure (operational)</b>	<b>Approval</b>
Up to Ksh. 100,000.00	Head of section
Up to Ksh. 200,000.00	Head of department
Up to Ksh. 300,000.00	Head of finance
Up to Ksh. 500,000.00	Deputy Vice Chancellor (A&F)
Up to Ksh. 1,000,000.00	Vice chancellor

### 3.3.7. Conversion of Purchase requisitions into purchase orders

Approved purchase requisitions are acted upon by the procurement section. For stores requisitions, materials are issued from the stores.

Purchase requisitions are converted into purchase orders in ERP. Offers are invited from suppliers to advise whether they are able to meet those requirements. Once the University has received responses from suppliers that have been invited to offer, the successful bidder can then be determined. Purchase orders are approved in line with the institution's limits of authority before they are printed for distribution to suppliers.

### 3.4: Selecting Qualified Vendors

#### *Step 1 - Document your organization's need*

Before doing any kind of selection of the potential vendors to provide the required service, document the need in detail. When examining the potential vendors, one need to be able to judge what they can offer or do against what is really needed and make sure there is a good match.

#### *Step 2 - identify the Potential sources*

Whatever service or item it is you need provided, the best next step is to do your own research and identify which organizations seem to do the best job in supplying what is needed. Once the sources have identified, contact each vendor by phone, writing (email, normal mail) and state your needs and that you would like them to participate in your selection process. This could be done through the usual procurement methods e.g., quotations. Understand that if the need is for a fairly low value item, vendors won't be too interested in going through a lot of effort and resource hours and money to acquire your business. But if it is a high value business e.g., buildings or big equipment then you are likely to attract many vendors vying for your business.

The Institution keeps a list of pre-qualified suppliers for different categories of goods and services which comes in handy when initiating purchases.

Provide each identified vendor with the following; an introduction of the institution with contact information, a summary of the requirement, deliver details and an invitation to participate in the selection process.

## 4.0: Procurement Methods

### *4.1: Selection of procurement method*

The estimated value of goods or services is the key factor in determining which procurement method to use. The following is a summary of procurement methods that can be used: -

- Direct procurement
- Request for quotations  
Low cost/value procedure
- & Request for proposals
- Restrictive tendering  
Open competitive bidding

#### *4.1.0 Direct Procurement*

Where direct procurement is used, the procurement unit goes direct to a supplier without the use of quotations or tenders. It must be used only in cases where no reasonable alternative exists to dealing with one bidder. Direct procurement can be used if there is an urgent need for the goods

or services being procured and if due to the urgency, the other available methods are impractical. The circumstances that gave rise to the urgency should have been unforeseeable and not the results of dilatory conduct on the part of the Institution officials.

Direct procurement may be used in the following situations: -

#### *4.1.1: Single sourcing*

Where the goods/services are procured from one supplier or can be provided by one supplier. Where regular supplies are obtained, the current price lists should be obtained from the concerned suppliers and these should be used to raise purchase orders. Maintenance of current price lists would avoid the necessity of obtaining prices each time an order is placed. All single source suppliers should be approved by the Head of Department and Head of Finance before the procurement process can begin.

Single sourcing is commonly used in the following instances:

##### a) Emergencies

Where goods/services are urgently required and there is insufficient time for any other procurement procedure.

##### b) Contract extensions

- i) For additional goods, installations or services which cannot be procured separately due to the need for compatibility and
- ii) For continuation of services, where a continuation would offer gains in economy and efficiency.

##### c) Blanket orders

Where goods/services are procured through tender on a blanket order basis: subsequent orders will be placed directly with the supplier for a period of time.

##### d) Goods purchased under exceptionally advantageous conditions e.g. unusual disposals by firms

##### e) Reciprocal buying- where a company buys from another firm in return for favors/services given by the supplier

#### *.4.1.2: Low Cos/Procurement*

The low value single procurement method is used where the estimated cost of goods being procured is less than the prescribed maximum value as given in the authority levels - in this case Ksh. 10,000.00

No benefit would accrue to the University in terms of time or cost implications if the procuring entity uses RFQs or an other procurement method

In this method the Procurement Unit shall procure the goods and services from a reputable provider through shopping. and may not refer the procurement to the Procurement Committee.

An original invoice or receipt for the low value procurement of goods or services and the price paid shall be obtained and signed by the person undertaking the procurement.

The procedure should not be used for purposes of avoiding competition.

#### *4.1: Procurement through Quotations*

Quotations should be obtained in the procurement of items or services when expenditure is less than ksh.1,000,000.00.

#### *4.2.1 : Generation For request for quotations (RFQ)*

RFQs are completed by the Procurement section for each potential supplier. Each RFQ should be sent to at least 5 potential suppliers (where practicable) and selection should be carried out using a minimum of three quotations.

The institution uses both the ERP and manual systems to generate requests for quotations.

Requests for quotations may be used for certain categories of expenditure. All RFQs shall be prepared by the Procurement section and dispatched to potential suppliers. RFQs should be based on a list of suppliers. Potential suppliers should be vetted and approved by the tender committee based on various criteria, quality, pricing, level of service and timeliness of delivery.

#### *4.2.2 : Contents of an RFQ*

All RFQs should include the following information-

- Quotation reference number (which is obtained from a collective control register)

- Quotation closing date

- Specifications/ description of the required items or services

If a certain make/brand of product is referred to in the request for quotation, the text will make it clear whether quotations are required only for that make or whether products of a similar standard would be acceptable. Suppliers may quote on the basis that they may be awarded part of an order: the institution reserves the right to have goods inspected before acceptance.

#### *4.2.3: Submission of Quotations*

Responses to RFQs should be placed in the appropriate quotations box ready for opening by the procurement evaluation committee. The quotations will then be analyzed by the Procurement section ready for evaluation and awarding by the appropriate procurement committee

Where the Navision system or emails are used, the quotations are received, Maintained, analyzed through the system by the procurement section.

#### *4.2. 4: evaluation of quotations*

The evaluation and comparison of quotations shall be carried jointly by the procurement section and the relevant procurement committees. Purchases whose estimated value does not exceed Ksh 500,000.00 are dealt with by the Procurement Committee. Purchases whose value falls between Ksh 500,000.00 and Ksh. 1,000,000.00 are dealt with by the Management tender committee (MTC).

The user departments are always represented in these committees and can therefore deal with any technical issues where the items/services are of a very technical nature, technical evaluations are completed by officers from the user department. Where necessary an evaluation committee may be appointed for the purpose of technical evaluation. This is particularly so in the case of procurement of plant, equipment and any other specialized items.

#### *4.2.5 : awarding of Quotes*

When awarding, evaluation is done based on the following factors: -

- a) The most competitive supplier in terms of price.
- b) The quality of services given by the supplier based on previous order/orders given to them.
- c) The quality of the material.
- d) Reliability, integrity and reputation.
- e) Production capacity.
- f) Terms of payment.
- g) Delivery period and ability to meet required deadlines.

Where the procurement section is of the view that the successful quotation is higher than the prevailing market price, the procurement section shall reject the quotations and repeat the process by giving a fresh request for quotations to a set of new companies in the list of approved suppliers. The procurement section shall not accept a quotation if the quoted price is above the prevailing real market price.

Reasons for disregarding any quotation must be clearly stated in writing as part of the recommendations.

#### *4.3: Procurement through Tender*

##### *5.3.1: Tendering policies*

The tender process shall apply to procurement of capital expenditure items in excess of Ksh. 1m.

##### *4.3.3. Selective tendering*

Open local tendering is the preferred procurement procedure but where goods/services are only available from a limited number of suppliers or there is insufficient time for opening tenders, then the selective (restricted) tendering can be used.

Where goods or services are sourced through closed or selective tendering, the tenders are restricted to an approved list of suppliers or service providers. As is the case with RFQs. The suppliers will be vetted based on specified criteria and authorized by the Management tender committee. The list of suppliers will be reviewed periodically, on an annual or biannual basis.

##### *4.3.4. Open tendering*

Open because the offer is made to all and any qualified supplier.

Where goods, works and services are sourced through open tender, the tender will be:-

- advertised in trade or general publications.
- posted on the university website. Electronic sale and submission of tenders will be acceptable in view of current technology leverage in JT. The system will be developed to allow bidders to buy and submit their bid electronically.
- posted at any conspicuous places reserved for this purpose as certified by the procurement officer.

##### *4.3.5: Preparation of tender documents*

Tender documents are prepared by the Procurement Section in liaison with the relevant user department. Tender documents contain essentially the specifications for the goods, works or services to be procured. The volume of tender documents varies with type and size of project. The Procurement officer's main task is to make sure that the documents are coherent and as

comprehensive as possible and reflect the intentions of the user and other stakeholders. The procurement officer will ensure that the following is done: -

- The requirement is described with sufficient clarity and sufficient detail as it forms the basis for the offer.
- The criteria to be followed in the evaluation process should be disclosed. A schedule of particulars containing questions prepared by the institution on all aspects of requirements, both technical and commercial, is provided for completion by the bidders.
- The closing time and date for receipt and opening of the tenders must be prominently displayed on the tender document; together with the actual location of the tender box for suppliers who wish to "hand-deliver" their tenders.
- The bidding documents should conform to the institution's regulations

Generally, the tender documents should include the following information; method of bidding, specifications (weight, quality, design dimensions etc.). payment, bid security or performance bond, if necessary, instructions to bidders, general conditions of contract, schedule of goods, and mailing address.

At this stage it is extremely important to ensure that the information requested from suppliers is comprehensive and sufficient to enable suppliers to provide useful information which will assist in the evaluation process.

The University may charge a fee not exceeding ksh.5000.00 for copies of tender or prequalification documents: whereby the payment is made before collection of the documents.

where the tender documents are obtained electronically the fee payable shall be paid at the time of submission of the documents or as per procedures worked out when this becomes operational. (This facility though not yet operational can be provided for in the current ERP system. and advertisements can be posted on the University website and suppliers allowed such documents using a password that can be provided after payment)

Where tender documents are sold, the procurement unit may allow potential tenderers to inspect the documents prior to purchasing them.

The University will allow a minimum of fourteen (14) days from the advertisement date to the closing date for the preparation of tenders.

#### *4.3.6: Modification of tender documents*

If an amendment is required to the tender documents at any time before the deadline for submitting tenders. the amendment can be done by issuing an addendum. The procurement department shall promptly provide a copy of the addendum to each supplier to whom the tender documents have been sold and also attach the same to tender documents yet to be sold.

An amendment may be made on the University's own initiative or as a response to an inquiry. Such addendum shall be deemed to be part of the tender documents.

#### *4.3.7: Change of tenders by tenderers*

Before the deadline for submitting tenders, a supplier/person, who submitted a tender may change and withdraw it in accordance with the following: -

- The change or withdrawal must be in writing
- The change or withdrawal must be submitted before the deadline for submitting tenders and in accordance with the procedures for submitting tenders. After the deadline a

supplier/person who submitted a tender shall not change or offer to change. the substance to the tender.

#### *4.3.8: Tender security*

Where the University decides to ask for tender security, the amount of such tender security shall be expressed either as a fixed amount or as a percentage of the estimated value of the contract. The Procurement Bill allows a percentage of not more than 2% of the estimated value of the contract and the University can adopt this.

The tender security shall be in any of the following forms only: -

- cash
- a bank guarantee.
- such insurance company guarantee

No tender security shall be accepted unless it is valid for a given period. Where it is deemed necessary authenticity of tender security may be verified.

The tender security shall be released to the tenderer if: -

- a) the procurement proceeding is terminated;
- b) the procuring entity determines that none of the submitted tenders is responsive and therefore the whole tender cancelled
- c) a contract for the procurement is entered into

#### *4.3.9: Submission of tenders*

All tenders must be presented in a sealed envelope and placed in the tender box at the location specified in the document. The tender number and the closing date must be indicated on the tender document and the envelope it is sealed in.

Tenders delivered by post shall be placed unopened in the tender box upon receipt.

If a tender delivered by post is inadvertently opened, the person who opened the tender shall record the opening and sign on the envelope and then place it in the tender box.

A tender must be submitted before the submission deadline. Any tender received after the deadline shall not be considered.

Tender boxes shall have two sets of keys: one set shall be in the custody of the DVC s (or the chairman of the MTC) and the other with the Procurement Officer.

#### *4.3.10: Tender opening*

Tenders are opened by tender opening committee appointed by the DVC (A & F) specifically for the tender. immediately after the deadline for submitting tenders, the tender opening committee shall open tenders received before that deadline.

Tenderers or their representatives must be present to witness the tender opening.

The tender opening committee shall assign a number to each tender

As each tender is opened the following shall be read out loud and recorded in a tender opening register: -

- a) The name of the firm submitting the tender
- b) The total price of the tender including any modifications or discounts received before the deadline

c) Tender security if applicable

Details of the bids received are minuted and each member signs the tender document on the first and the financial proposal pages. The bids are then handed over to the procurement officer for action.

*4.4.0. Evaluation of tenders*

*4.4.1: Purpose of Evaluation*

Evaluation is a process that enables selection of the most appropriate offer. This involves consideration of the nature, value and significance of the goods, works or services being purchased. Evaluation allows the selection of the offer that achieves the best performance for the money being spent.

The evaluation process is carried out using checks for compliance with specifications of the requirement, checks for compliance with documentation and other terms set out in the invitation of offer/ tender documents. It is therefore extremely important to ensure that the information requested from suppliers at the time of preparing the tender document/seeking offers is sufficient to enable a detailed evaluation of offers to be made. In other words, the success of the evaluation rests on the proper specification of the requirements and on asking suppliers to provide useful information which assists in reaching a decision as to which is the best offer.

*4.4.2.- The Evaluation committee*

An evaluation committee shall be established for the purposes of carrying out the technical and financial evaluation of the tenders or proposals. When appointing the evaluation committee members, it is good to involve input from at least the following groups: -

- Departmental managers who normally exercise financial delegations or oversee the purchasing process for compliance with the institutional policies
- Procurement officers who need to work together with management, end users and financial, legal and technical experts to achieve procurement results. Procurement officers also have the responsibility of understanding the market which is useful in negotiations with suppliers to achieve the best results
- User departments who need to specify what is needed and work together with managers and procurement unit to get what is required
- Technical experts who understand and offer guidance on to the technical requirements

The evaluation committee shall evaluate all the tenders or proposals received in adherence to compliance and evaluation criteria set out in the tender documents, and where necessary do supplier visits to confirm whether the firm qualifies as a supplier for the category of item applied for. The relevant user department shall be included in such supplier visits.



#### 4.4.3: The Evaluation process

The evaluation process is done through several stages:

##### *Stage 1. Screening*

All offers received from the opening committee are checked for compliance with the conditions of offer set out in the tender document. The aim of this step is to screen out offers which do not meet the conditions of offer and/or do not comply with one or more of the mandatory evaluation criteria. Offers which are not fully compliant must be examined immediately and may be excluded from any further consideration during the offer evaluation process. Therefore, it is important that this step is completed impartially, fairly and professionally.

Some examples of conditions checked at this stage: -

- offer lodged after the advertised closing time without an acceptable reason;
- offer documentation not signed when required;
- incomplete offer, for example, certificates of insurance that were requested not provided, pages missing from the offer document, questions not answered, especially where these relate to meeting the conditions of offer including the mandatory criteria.
- Supplier not registered with the Registrar of companies: whether they are doing legal business
- Supplier not having any recognized business premises (to avoid briefcase suppliers)

Any offer not meeting the mandatory requirements is non-conforming and should not *be* considered further, regardless of how effectively, it may address the desirable criteria. It is therefore extremely important to ensure that careful consideration is given before any criterion is made mandatory in the specification.

##### *Stage 2. Shortlisting*

In these cases, the evaluation process moves directly from the screening stage to detailed evaluation of individual offers. Shortlisting may be omitted for less complex purchases. Where applicable, shortlisting is used to eliminate offers that, whilst meeting the conditions of offer and the mandatory criteria, are clearly not competitive and which have no reasonable prospect of exhibiting value for money when compared to other offers. These offers are not rejected at this stage of the process, but are set aside from further evaluation unless it becomes necessary to revisit them again later during the evaluation process.

The main reason for shortlisting is to ensure that only offers which demonstrate a reasonable likelihood of providing value for money are subjected to the full offer evaluation process. Evaluation of offers is an expensive and time-consuming activity. Whenever an offer that is clearly not competitive is not fully evaluated, substantial savings in time and cost can be generated.

It is essential that the criteria used to shortlist serious contenders be applied fairly and equitably to all offers. A proper audit trail should be maintained for all shortlisting decisions.

### *Stage 3: Detailed evaluation of offers*

This stage of the evaluation process involves detailed analysis of each offer, clause by clause, against the evaluation criteria. It is also usual to consider risk assessments and the past performance of the supplier at this stage. Evaluation of offers should be conducted by applying only the evaluation criteria notified to offerors in the invitation documents.

It is therefore extremely important to ensure that the information requested from suppliers at the time of seeking offers is sufficient to enable a detailed evaluation of offers to be made. In other words, the success of the evaluation rests on the proper specification of the requirements and on asking suppliers to provide useful information which assists in reaching a decision as to which is the best offer.

#### *Stage 3a: Clarification of offers*

Sometimes an offer might not be clear in its meaning or is contradictory in certain respects. Such offers may be evaluated if they become clear following clarification with the offeror. Clarification should not, however, provide the offeror with an opportunity to revise their original offer, as this would effectively be the same as accepting an amendment to a closed offer. Any clarification sought from an offeror should be recorded in writing.

#### *Stage 4: Comparative evaluation and selection of preferred offeror*

The aim of this stage of the evaluation process is to select the offer that meets all requirements of the specification and offers the best value for money. Using the results obtained from the detailed evaluation of each offer, a comparative analysis of all offers is undertaken during this stage of the process. This allows the ranking of the remaining potential suppliers and the selection of the preferred offer. Comparative evaluation may involve the assessment of both quantitative and qualitative factors associated with the offer.

#### 4.4.6 Offer evaluation report

After completion of the comparative evaluation, a detailed evaluation report is completed and presented to the appropriate procurement committee for further adjudication and award. Typical content of an offer evaluation report would include:

##### *4.4.6a. Executive summary*

This section provides an overview of the completed evaluation and makes a recommendation as to the selection of a supplier. It will usually summarize any critical issues relating to the evaluation and the rationale used to select the preferred supplier. The executive summary should also contain details of any consultation undertaken during the evaluation, the nature of any advice received and whether that advice was accepted or not.

##### *4.4.6b Body of report*

This part of the report should include a copy of the endorsed offer evaluation plan used for the evaluation. It should describe in detail the process of evaluation adopted and the evaluation method applied, including detail concerning offers that were screened or shortlisted out of further assessment and information as to why such action was necessary. Some departments/agencies

also like to include a summary of offers received, outlining the strengths and weaknesses of each offer and a brief description of the offer and the supplier's capacity.

It is usual to include copies of the individual evaluations completed for each offer against the selection criteria as well as the results of the comparative assessment of the offers. This part of the report should also contain any other information related to the assessment of value for money, information about any contact with off errors (such as site visits or requests for clarification) and any other relevant matters. It should conclude with a justified ranking of offers received, and a supported recommendation as to a preferred supplier. If it is not possible to recommend a preferred supplier, the report should outline a way forward, such as negotiation with one or more suppliers, reissuing of offer documentation, a decision not to proceed etc.

#### *4.4.6c: Associated papers*

This part of the report usually contains copies of the request documentation, copies of any amendments or clarifications issued, a copy of the endorsed offer evaluation plan and a detailed evaluation of each offer against the evaluation criteria.

On receipt of the report and recommendations, the relevant tender committee makes a final decision. The Procurement office then implements the decisions accordingly.

## 5.0 : Procurement committees

### *5.1 : Roles and Responsibilities*

After the quotes/tenders have been received a summary of the quotation analysis is made, and in case of tenders, evaluation reports giving the quoted prices, any discounts the payment terms, delivery period etc. The analysis sheet is then forwarded to the various procurement committees for awarding as follows:

- a) Where the purchase amount is less or equal to Ksh 500,000 the analysis is forwarded to the Procurement Committee: after which final approval has to be obtained from the Finance Manager. The committee is comprised of representatives from the Registrar, Finance, Audit, Procurement and the User departments.
- b) Where the purchase expenditure exceeds Ksh 500,000 the purchase is dealt with by the Management Tender Committee (MTC)
- c) For purchases amounting to Ksh1,000,000 (one million) and above, the awarding is done by the Council Procurement Tender Committee.

### *5.2 : The Procurement Committee*

Handles purchases of a value not exceeding ksh.500,000.00.

The primary purpose of the Procurement Committee shall be to review, verify and ascertain that procurement made within their jurisdiction are undertaken in accordance with the terms set out in the procurement manual and the terms set out in the tender documents.

#### *5.2.1 : Membership of the Procurement Committee*

The membership shall comprise of at least four members

- The meetings shall be chaired by the Finance Officer or any other officer appointed by the Vice Chancellor
- Three other members from the Audit, Registrar and User departments.
- The Procurement Officer or his/her appointee shall serve as a secretary to the committee

#### *5.2.2 : Duties and Responsibilities*

The procurement committee shall be responsible for:

- Receiving submissions made by the procurement unit
- Consideration and awarding of contracts and quotations/vendors for the supply of goods, works or services whose value does not exceed ksh.500.000.00
- Ensuring that funds are available for the procurement under consideration
- Ensuring that the Institution does not pay in excess of the prevailing market prices
- Preparing quarterly reports for submission to the Management Tender Committee for what has been awarded in the quarter
- The preparation of minutes of all meetings and such records including: -
  - a) a register of attendance
  - b) Date of meeting
  - c) List of all matters considered
  - d) The decision made for each matter including issues discussed reasons for any rejections and any clarifications or minor amendments to which the approval is subject, and a note on the basis of evaluation made
  - e) Any conflict of interest declared by members
  - f) Any dissenting opinions among procurement committee members and such other records that may be necessary.

#### *5.2.3 : Approvals*

In considering submissions made by the procurement unit, the procurement committee may: -

- Approve a submission, or
- Reject a submission with reasons, or
- Approve a submission, subject to minor clarifications b) the procurement unit

Where a submission rejected by the procurement committee, the procurement unit will provide an explanation and/or Justification of its decision thereof and resubmit to the committee for adjudication. The committee may ask the procurement unit to source for other quotations.

The procurement committee shall however

Reject any submission without justifiable and objective reasons

Modify any submissions with respect to the recommendations for contract award or in any other respect

#### *5.2.4: Frequency of the procurement committee meetings*

- There is no limit to the number of meetings. This is in fact a category of frequent purchases.

- Meetings to be convened as and when the need arises
- The quorum for a meeting of the procurement committee shall be three (3) members; the Chairman and at least two other members

#### 5.2.5. · *Procedure for Procurement Committee meetings*

- Where any member is unable to attend a meeting, the member shall delegate authority to an appropriate official who shall attend in his/her place
- Members shall ensure that they delegate to officials with the appropriate skills and experience to represent them
- Decisions by the procurement committee shall be by consensus. Where there is no consensus, the decision shall be through voting by simple majority and where there is a tie, the chairman shall have a second vote.
- Where any member has a direct or indirect interest in any matter, he or she shall declare his/her interest in the matter and shall not participate in the deliberations or decision-making process of the committee in relation to that particular matter
- The procurement committee may invite independent advisors of the procurement unit to explain submissions or provide technical advice where required.

#### 5.3: *Tender committee*

The Council Tender Committee was established through a meeting by the University council held on

##### 5.3.J. *Membership of the Council Tender Committee*

Council honorary treasurer                      Chair  
 Deputy vice chancellor  
 Registrar  
 Finance Officer  
 University chaplain  
 Two BOT members  
 Procurement Officer  
 Internal auditor

The Procurement Officer or his/her appointee shall serve as a secretary to the committee

##### 5.3.2: *Quorum*

The quorum for CTC meetings shall be five (5) members

##### 5.3.3: *responsibilities*

The Tender Committee of Council shall be responsible for: -

- 1) Consideration and awarding of contracts and tenders for supply of goods, works and services whose value exceeds Ksh. 1.000.000.00.
- 2) Ensure that funds are available for procurement under such consideration
- 3) Establishment of a pre-tender committee consideration Evaluation Committee for the procurement of goods and services with a value of over Ksh. 1,000,000.00
- 4) Approve the selection of the successful tender or proposal

- 5) Ensure that the University does not pay in excess of prevailing market prices
- 6) Approve the list of tenderers in cases of restricted tendering
- 7) Approve the list of persons qualified to submit proposals
- 8) Approve negotiations with suppliers
- 9) Preparation of minutes of all meetings and such records including: -
  - A register of attendance
  - Date of the meeting
  - List of all matters considered by the Council tender
  - The decision made for each matter, including issues discussed, the reasons for any rejections or clarifications or minor amendments to which the approval by the Council Tender Committee is subject to, and a note on the method of evaluation used
  - Any conflicts of interest declared by members. Where any member of the Management Tender Committee has a direct or indirect interest in the matter, he or she shall declare his/her interest in the matter and shall not participate in the deliberations or decision-making process of the committee in relation to that particular matter:
  - any dissenting opinions among Council Tender Committee members and such other records as may be necessary to enable the Committee make an informed decision:
  - A synopsis of each tender considered.
- 10) The decision by the Management Tender Committee shall be by consensus. Where there is no consensus, the decision shall be through voting by simple majority. Where there is a tie, the Chairman of the Council Tender Committee shall have a second vote.
- 11) In consideration of the submissions and recommendations made by the Evaluation committee, the Council Tender Committee may:
  - a) approve the submissions and recommendations
  - b) Reject the submissions and recommendations with justifiable reasons, or.
  - c) approve submissions or recommendations subject to clarifications by the Evaluation committee.
- 12) Any submissions or recommendations rejected by the Council Tender Committee may be re-submitted for reconsideration.
- 13) The Management Tender Committee may invite independent members to their meetings who may include, but not limited to members of the Board of Directors, advisors, consultants or Any other person who in their view shall add Value to the discussions and decisions made. The failure of an invited observer to attend a meeting shall not nullify a procurement proceeding.

#### 5.3 4: Reporting

- Agenda of the tender meeting shall be made available to all members and the Vice Chancellor five (5) days before the meeting
- Report/minutes shall be made available to the vice chancellor after every tender meeting

#### 5.4. Management Tender Committee

##### 5.4.1: Responsibilities

Will be responsible for consideration and awarding of contracts and tenders for supply of goods, works and services whose value exceeds Ksh 500.000.00 but less than Ksh. 1.000.000.00.

##### 5.4.2: Membership

Deputy Vice Chancellor as chair

Head of Finance as vice chair

Head of Administration

Head of Academic affairs

Member from the Audit section

University chaplain

User department representative

The officer heading the procurement unit as secretary of the tender committee

##### 5.4.3 : Quorum

The quorum for MTC meetings shall be five (5) members

The Management Tender committee is conducted in the same way as the Council Tender committee.

It is important that members of the evaluation and procurement committees: -

- Declare if they have any conflict of interest for the tender under consideration
- Do not enter into any direct communication or negotiation with any of the tenderers participating in the tender considered without express authority from the procurement committee handling the tender.
- Treat all bidders fairly and equally.

## 6.0: Raising Local Purchase Orders

6.1: Approved Purchase Requisitions are converted into purchase orders through the ERP system By the procurement unit. The purchase order will have the following information: -

- a. Local Purchase order number - generated through the ERP
- b. Supplier Name.
- c. Brief description of items ordered.
- d. Supply/delivery address
- e. Purchase requisition number.
- f. Terms of payment
- g. Total value of the order etc.
- h. The vote head

### 6.2: Approval of the order

Purchase Orders are then approved in line with the university's authority levels before they are printed for distribution to the suppliers.

Currently the setup in Navision is such that the Finance Officer is the final approver for all LPOs.

Different authority levels need to be set up, say e.g., orders below Ksh 1,000,000.00 are signed by the FO while those above Ksh 1,000,000.00 are signed by the DVC or VC.

The approved purchase order which is already pre-numbered is distributed as follows:

<u>Copy</u>	<u>Recipient</u>
Original	Supplier
2 <sup>nd</sup> copy	Accounts Section
3 <sup>rd</sup> copy	User

### 6.3: Registration of Suppliers

#### 6.3.1. Pre-qualification of suppliers

1. Suppliers shall be pre-qualified annually or as the tender committee shall decide. The University shall conduct a pre-qualification exercise by advertising/making an open invitation through the Press to potential suppliers to submit applications.
2. Prepared questionnaires shall be given to applicants. The University may decide to give them out for a small fee to cover the advertising and printing costs.
3. The completed documents shall be delivered and placed in the tender box which will be provided for the purpose. If a tender document delivered by post is inadvertently opened, the fact of such opening shall be recorded on the envelope by such person who opened the tender and then the tender shall be placed in the tender box.
4. Immediately after the deadline for submitting tenders, the tender opening committee will open the applications received before that deadline in the presence of the applicants who may have decided to attend the opening.
5. The opening committee will assign identification numbers, record and stamp all received documents before passing them to the evaluation committee together with the opening minutes.
6. The documents are then passed to an evaluation committee for evaluation and recommendations, after which they are forwarded to the tender committee for adjudication.

#### 6.3.2: Supplier evaluation and approval

Supplier evaluation is a term used in business and refers to the process of evaluating and approving potential suppliers by factual and measurable assessment. The purpose of supplier evaluation is to ensure a portfolio of best in class suppliers is available for use. Supplier evaluation is also a process applied to current suppliers in order to measure and monitor their performance for the purposes of reducing costs, mitigating risk and driving continuous improvement.



### 6.3.3: Process

Supplier evaluation is a continual process within purchasing departments and forms part of the pre-qualification step within the purchasing process; although in many organizations it includes the participation and input of other departments and stakeholders. It often takes the form of either a questionnaire or interview, sometimes even a site visit, and includes appraisals of various aspects of the supplier's business including capacity, financials, quality assurance, organizational structure and processes and performance. Based on the information obtained via the evaluation, a supplier is scored and either approved or not approved as one from whom to procure materials or services. In many organizations, there is an approved supplier list (ASL) to which a qualified supplier is then added. If rejected the supplier is generally not made available to the assessing company's procurement team. Once approved, a supplier may be re-evaluated on a periodic, often annual, basis. The ongoing process is defined as supplier performance management.

### 6.3.4: Objective of vendor evaluation

The objective of supplier evaluation is to select a vendor who shall take full *responsibility* to co-manage the institution's supply chain activities to sustain acceptable service levels while saving costs and enhancing competitiveness.

All suppliers' performance shall be evaluated annually based on the quality of their services and goods, efficiency in supply and competitiveness. Suppliers whose performance is below standard will be made aware of the fact and if there is no improvement in service results, they will be removed from tender or quotation lists until it is felt that they can provide services of an acceptable standard.

Suppliers who collude with buying staff, user departments and other suppliers or are found to be involved in any other fraudulent practice will be struck off tender lists and, if enough evidence is available, the supplier and all involved parties will be prosecuted.

A list of blacklisted suppliers will be maintained by the Procurement Section and made available to all User Departments. The listing will be updated immediately suppliers are blacklisted.

## 7.0: Procurement Planning

<sup>71</sup>: *Procurement Planning* is one of the most important and vital business processes in every organization. It gives a procurement plan aimed to provide operations with necessary resources. When lead-times are too long and materials are too difficult to deliver, the procurement process (also known as the purchasing process) will play a pivotal role. By implementing procurement planning, the organizations management will ensure that the organization buys appropriate products at the right price from the right suppliers at the right time. The process becomes more significant if the company is aspired to produce goods or services while the production is depended on external suppliers and resources

7.2: *Procurement planning* gives the following benefits for the company; materials are always available for operations, optimization of material and resource prices, costs and procurement time are minimized, reduction in risks, balanced execution of operational plans, and effective partnership between the institution and *its* suppliers.

7.3: *Procurement planning* can be divided into two separate categories: high value or strategic procurement planning and annual procurement planning.

#### 7.3.1 : *High value or complex procurement planning*

This category of procurement planning assumes that from a variety of goods/services there must be a group of goods/services that is defined as a strategic (priority) purchases or has the highest values.

High value or complex procurement planning should be accomplished according to the following steps: analyze the needs and requirements, consider procurement options, specifying the institution's procurement strategy and managing contracts and evaluating outcomes.

#### 7.3.2. *Annual procurement planning*

The goal of annual procurement planning is to encourage the management to check current situation with available resources and deliveries. and to adjust it with plan. This requires coordination of business strategies and plans.

Careful procurement management lets the company optimize costs and increase efficiency. It gives the company a complete procurement process. which explains step by step how to purchase and from which suppliers. When drawing up an annual procurement plan. the company management should consider the following four stages, supporting service delivery outcome, evaluating company expenses on goods/services, improving procurement process. and improving performance goals and measures

#### 7.4: *Preparation of the procurement plan*

A procurement plan shall be prepared for each financial year as pan of the University's annual budget preparation process. Procurement planning embraces annual works plans pertaining to procurement prepared based on budgets. The annual procurement planning shall be integrated with applicable budget processes and based on departmental indicative or approved budgets. When budgeting becomes fully operational. all procurement should be within the approved budget and planned through an annual procurement plan.

#### 7.4.1: *contents of a procurement plan*

- a) Detailed breakdown of goods, works or services required
- b) Schedule of planned deliveries, implementation or completion dates
- c) An indication of which items can be aggregated for procurement as a single package or for procurement through any applicable arrangements for common user items.

- d) An indication and justification for when the items will be procured, whether within a single year period or a multi-year arrangement
- e) An indication of appropriate procurement method for each procurement required
- f) The estimates for the values of goods, works or services shall be realistic based on up-to-date information on economic market conditions.

A procurement plan is usually derived from the plans of the user departments. User departments shall submit their approved annual plans for all the items they will use either from the stores or direct purchases.

#### *7.4.2: Planning schedule*

- a) Procurement unit shall consolidate the requirements from the various heads of departments and prepare a schedule of requirements
- b) Requirements shall then be separated in terms of goods, works or services
- c) Groupings of items should then be done in categories e.g. same items, large or small purchases
- d) Show the recommended method of procurement- which items need tendering, agreements etc.
- c) Procurement timetable for each grouping should then be prepared, showing an estimate of the time required for each stage in the procurement cycle.

The procurement plan shall be approved by the Vice Chancellor through the tender committee for onward transmission to the University council for approval or approval will be done according the university regulations

## 8.0: STORES AND ASSET MANAGEMENT

### 8.1.1: The central stores organization

Stores Functions have a very important role in making available critically required stores and spares for efficient and economical operation and maintenance. Stores in fact are considered as backbone of maintenance of equipment.

Efficient and effective services to the user shall *be* the principal objective of stores management and this shall be the most important parameter to judge its performance. It is, however, equally desirable to provide these services as economically as possible i.e. to keep the stock level at optimum, conserve and preserve them properly so that both financial and financial objectives are attained.

Procurement in PUEA is centralized, and all procurement activities are performed from one central point. Likewise, goods are received at the main campus. The central store is therefore an

essential part of the University. It is the disposition of all consumables, spares and fittings required by the University. Since supply cannot be exactly matched with demand, we have to carry operating stock. Stores however need to be considered as a temporary location of materials for operation purposes, and should be planned, organized and operated in such a way that the period of residence of each item is shortest possible, consistent with economic operations.

The university has not grown much and the categories of items listed as stock items are few. Many of the other items (non-stock) are purchased and used as and when they are required. The different types of common user items required for different operations and kept in the store are: -

SINO.	ITEM DESCRIPTION	PURPOSE
1	Electrical hems	installation and maintenance of electric installations
2	Stationery Items	Office Work
3	Toners and other IT consumables	Office work
4	Food items. vegetables sugar. flour.	Used by the Catering department
5	Cleaning detergents	Housekeeping

There is one store and one sub store i.e. the catering sub-store. As the university is growing, it is critical that a clear organizational structure, defined functions and duties of each focal official: and development and maintenance of records for proper accounting management information and analysis for improving the procedures and policies are put in place.

### 8.2 Organizational structure of the Central Store

Currently the procurement assistant doubles up as the stores officer; assisted by the procurement Officer the Catering store is manned by a catering staff. As the university grows and for accountability purposes, an extra staff will be needed to offer the services of a stores officer.

8.3: Objectives of Stores Management can be summarized as under:

- a) To provide services to operating functions by balanced flow of equipment, spares and other consumable materials.
- b) To provide these services in the most economical manner keeping the stocks at the optimum level and bringing down inventory holding and ordering costs to the minimum.
- c) To account for all the materials received and issued, proper storage to avoid deterioration and loss of materials, economical material handling, stock verification and reconciliation of discrepancies.
- d) To receive scrap and other discarded materials and arrange prompt and most economical disposal.
- e) Maintain proper coordination and cordial relationship with departments.

#### 8.4. · Responsibilities

Stores functions are responsible for receipt, custody and issue of a large sum of money in the form of goods and for determination of appropriate quantities of materials to meet operational needs in most economical manner. Stores operations provide both service and control functions. First, they organize and control flow of materials for Operations and Maintenance and secondly as custodial and controlling agency. It is responsible for safety and physical control of a substantial portion of the institution's working capital and all related paper work and record keeping.

#### 8.5. · Activities in the Central stores/functions of stores

Stores Functions have a very important role in making available critically required stores and spares for efficient and economical operation and maintenance. Stores in fact *are* considered as backbone of the smooth flow and efficient operations.

Efficient and effective services to the user shall be the principal objective of Stores Management and this shall be the most important parameter to judge its performance. It is however, equally desirable to provide these services as economically as possible i.e. to keep the stock level at optimum, conserve and preserve them properly so that both financial and operative objectives are attained.

Following are the broad functions of stores management:

- Efficient receipt of goods
- Collection of items bought on a fob basis from suppliers
- Storage (or warehousing)
- Issuing and dispatch
- Maintenance of up-to-date stock levels
- Raising purchase requisitions (PR) for stock items

##### 8.5.1 : Receiving of goods

All the incoming materials from the suppliers and other units of the organization shall be received at stores. Arrangement need to be made for transportation, unloading and receiving of materials, and handing over the same to custody group checking up of packages, checking up materials with details of invoices and purchase order, identifying discrepancies, if any, record keeping, preparation of Stores Receiving cum inspection Report and for arranging dispatches of materials- returned to suppliers, sent for repair or transferred to other units of the organization.

All items ordered for the organization shall be received at Central stores and the Catering Stores, unless otherwise stated.

No item shall be received without a valid PO unless it is a sample for trial or emergency requirement in which case the Procurement Officer shall endorse on the D/Note before acceptance of goods. The D/Note shall remain pending awaiting PO which should be raised within a maximum of 48 hours.

All deliveries shall be accompanied by note and respective invoice. A Goods Received Note (GRN) must be generated for all accepted goods.

All goods must be received in the presence of a Security Officer. Once satisfied that the items and quantity delivered match with what is on record, the Security Officer stamps and signs the delivery documents.

#### 8.5.2 : *inspection of materials*

It has to be ensured that every item received in stores is checked from the quality angle. Any failure of poor-quality materials may put the organization to heavy losses, especially those of components of vital equipment. Quality plans need to be developed for critical and high consumption value items. Inspection can be carried out by independent Quality Assurance Groups, user department or by third party depending on the set up. The procurement unit/stores, however, is required to maintain continued and sustained liaison with inspection people for prompt inspection.

##### a) Stock items

The storekeeper receiving the goods must first ensure that the goods being received are inspected to confirm that quality, quantity and specifications conform to the specifications given on the PO. For goods with expiry dates, make sure the delivered goods have the longest shelf-life possible. For non-stock items the inspection is done with the assistance of the user who has to verify the quality.

1. After validating no.7 and 8, all delivery notes and invoices shall be received by the store keeper, who will then post them and generate a GRN electronically in the Navision system.
2. The GRN together with the invoice delivery note and a hard copy of the LPO will be forwarded to Accounts for payment processing.

##### b) non-stock items receipts

- User of the items under procurement should be involved at receipt time.
- The goods, works or services shall be inspected and reviewed in order to ensure compliance with the terms and specifications of the LPO/Contract. Where necessary the goods shall also be tested before receipt
- Ensure that all required manuals or documentation for equipment/goods have been received
- The security personnel have to verify and confirm the receipt as for stock items.
- The user will sign the GRN and collect the accepted items.
- Where services, as opposed to goods have been received, the User department and the Maintenance officer/projects Manager shall approve the work done before the documents are forwarded to Accounts.
  - i) Where goods do not conform to the specifications as per the order and it is decided that the supplier should take them back, a Gate Pass is issued by the Security Officer. Copies of the gate pass are kept by the security and procurement/store. The supplier's copy is left at the gate at the time of the collection of the rejected goods.

c) Overseas Purchases receipts

i) The items shall be delivered by the shipping agents or appointed transporters, accompanied by a pro-forma invoice, waybill or bill of lading plus a packing list bearing collective number.

ii) The documents shall then be matched with the packing list and the LPO, before receipt.

For rejected items, the storekeeper will inform the Procurement officer who will organize for replacement. The rejected goods are either reshipped or posted to obsolete store. Claims for short delivery, non-delivery or damages en- route should be lodged in time with the underwriters, carriers and/or suppliers as per the provision of the LPO/contracts. Replacement supplies need to be arranged for any losses and also for technical rejections (supply of wrong or substandard materials by the suppliers)

#### *8.5.4. Issue of materials*

The user raises a stores requisition note (SRN) on-line and sends to their Head of Department (HOD) for approval. The approved requisition is then forwarded to the Procurement officer for approval and issue.

Stores department on receipt of authorized requisitions from user departments shall identify requirements and issue materials without any delay. The storekeeper shall only issue goods upon presentation of a rightfully authorized requisition note in the system.

It is prudent to use the "first in first out method to make sure that goods do not deteriorate in the stores. Where items have a shelf-life, the storekeeper should always make sure they are used before the given expiry dates. Where the usage is low, then arrangements can be made for them to be disposed of at a price to avoid a total loss.

Proper records need to be made of issue and receipt documents.

#### *8.5.5: Warehousing storage and security*

It has to be ensured that all materials received in stores are properly stored to avoid deterioration/losses and also to locate promptly when required to be issued. The materials shall be provided with appropriate racking and handling facilities to store different sizes, shapes and weights of materials and shall be stacked properly and bin locations recorded to facilitate issues. Necessary steps need to be taken for preservation of materials especially those, which are to be stored for longer periods. Presentation methods can be developed in consultation with suppliers/user departments.

Stock Ledger posting of all receiving and issue documents shall be done promptly and distributed to concerned departments. This shall help to keep book balances in conformity with physical balances most of the time.

Steps also need to be taken for security and safety of materials and also safety of personnel from various hazards by taking precautions in handling the materials.

*8.5.5a: Access to premises:*

- In the interest of security, access to storehouses and stockyards must be strictly limited. Apart from storehouse employees themselves, people collecting goods should not normally be allowed to enter storage area, but kept on the public side of the issue
- Suppliers, drivers and others making deliveries confined to receiving bay.
- Some time it may become necessary to take members of user departments to the storage area for identification of materials or issue of heavy/larger quantity materials; in these situations an authorized representative of the Custodian or he himself shall accompany them.
- The stores officer who is the Custodian shall be responsible for the care and custody of all materials from the time of delivery until the time of issue. He therefore shall have the authority to exercise supervision over all other persons who have occasions to visit the premises for any purpose whatsoever.

*8.5.5b: segregation of pilferable items.*

It shall be prudent to take extra security precautions in respect of 'attractive' goods. which are generally recognized as being especially subject to pilferage (the type of items likely to have domestic use and ready market for disposal). Separate lockable enclosures or cup- boards are often provided inside the main stores for commodities of this kind and they are placed under the care of the storekeeper who will be entrusted with the keys and will also take responsibility for the safe keeping of the stock.

*8.5.5c: safety and security*

- At the close of the work at each day the custodian shall ensure that windows, small door if any, cupboards etc. are properly secured/locked. The custodian shall further ensure that no one is left inside the Stores shed/building. After completing the above checks the custodian shall close the main store and make sure that it is properly secured. The store shall make sure that the store is closed whenever it is unattended.
- If any key is lost, the lock shall immediately be replaced necessary investigations carried out

*8.5.6: maintenance of up-to-date stock levels*

The store officer must ensure that items purchased are within the usage levels and that there is no over-stocking as this comes with cost tied up in interests on capital and the high carrying costs by way of rent for storage space, spoilage, obsolescence etc.

Maintaining optimum stock levels (one month for most stock items and one week for perishable items e.g. vegetables) shall be achieved) performing the following functions: -

- Keeping watch on movement of stock items and raising Purchase Requisitions (PR) as soon as re-order levels are reached; day to day receipts and issue shall be posted in stock ledgers so that the current balances of each item are known without physical counting or checking.
- Analyzing lead-times for various categories of items and coordinating with buyers for timely availability of materials.



- Review of stock holding level from time to time keeping in view the consumption patterns, lead-time and criticality of each item. This is especially important for the catering stores where less is consumed during holidays and very little should be received during this period. being especially keen on items with short expiry dates.
- Ensuring that stocks are available for stock items all the time so as to offer acceptable service levels to user departments. In case of stock out of an item, supplies against pending orders, if any, shall be expedited. If any delays are anticipated, arrangement for emergency/cash purchases of affected items shall be made to overcome the situation.
- Review of Purchase Requisitions of non-stock items from the user departments.
- Identifying regularly/commonly used items and recommending them to be made stock items and fixing their minimum, maximum, re-order levels and re-ordering quantities.
- Identifying, defining, and describing all items of stores. including drawing up of specifications and unit of measurement to meet requirements of classification and computerization.

*8.5.7 identification and disposal of scrap, obsolete and surplus materials:*

Obsolete/Redundant stock: Term that refers to inventory that is end at the end of its life cycle and has not seen any sales or usage for a set period of time usually determined by the organization. This type of inventory has to be written down and can cause large losses for a company.

The storekeeper shall: -

Identify obsolete/surplus items and facilitate disposal action.

Receive scrap materials and facilitate disposal action including handing over of such materials to prospective buyers.

All scrap arising, worn-out and unusable spares etc. obsolete and surplus items shall be received in scrap yard and after identification and formation of lots shall be disposed of promptly according to the University regulation.

*8.5.(5): Physical stock taking/stock verification*

It has to be ensured that physical stocktaking of each item of stores is done at least once in a year. book balances tallied with physical balances. Discrepancies, if any shall be properly investigated, reconciled and adjusted.

The stores officer must prepare the inventory items and records just before the end of every financial year in preparation of an annual stock-take. Since inventories represent working capital of the University, it is reflected as assets in balance sheet. The question normally arises as to correctness of these figures. By carrying the stocktaking and also adjustment for the discrepancies, if any, it can reasonably be established that the figures shown in the balance sheet are correct.

In addition it is recommended that the stores officer carries a periodic and/or continuous stock take. Periodic physical inventories are the best way to measure the accuracy of the inventory.

This way, discrepancies are corrected as soon as they are noticed and not at the end of the year when the annual stock-take is carried out.

## **9.0 : Stock Control**

The stock controls section is in charge of planning and maintaining the right quantity of items for the University with minimum investment.

### *9.1 : Functions and responsibilities*

The functions of the stock control section in the procurement unit may be summarized as follows: -

- 1) The university operations are not hampered for want of various recurring items (photocopying papers, toners and cartridges, other stationeries, electrical fitting, tubes, plumbing materials etc. the work therefore involves determining correct minimum and maximum stock levels for every item timely recoument and timely submission of shortage reports to the purchasing section.
- 2) ensure that items purchased are within the usage levels and no overstocking as this comes with costs tied up in interests on capital and the high carrying costs by way of rent for storage space, spoilage, obsolescence etc.
- 3) bring to light cases of abnormal consumption
- 4) Point out cases of un-used items purchased against special requests from the various departments.
- 5) Put up from time to time lists of obsolete and surplus items in the control (main) store and the sub-stores
- 6) Provide accurate data on consumption levels for purposes of budgetary controls.

### *9.2 · Duties of Stock control function in the procurement unit.*

1. See that the postings are up-to date
2. See that the recoument of various items is affected on time
3. Point out cases of excessive consumption
4. See that the shortage lists are prepared on time
5. See that the stocks of expensive items i.e. items of group are kept as low as possible so as to keep down the investment on inventory (Using the ABC analysis)
6. Ensure that the classification of items is correctly done
7. Prepare a list of obsolete and slow-moving items and submit to the procurement officer

## **10.0: Disposal of Stores and Equipment's**

### *10.1.1: Scrap, Obsolete and surplus items Identification and disposal*

Identification of items for disposal should be done regularly but at least once each financial year.

During the operations of organizations, some items will become unusable due to various reasons. Due to changes in technology or design or planning or phasing out of some equipment, items shall become obsolete. Also, due to change in consumption patterns, items may become redundant or surplus. Such items are required to be disposed off in the most economical way to avoid inventory holding cost; and also, to create space.

Stores items which need disposal action arise due to one or a combination of the following reasons:

- a) Items completed their normal operating life either returned to stores as scrap or lying as such at work site.
- b) Items damaged beyond repair or deteriorated beyond use while in stock.
- c) Items having limited shelf life which expired while in stock
- d) items becoming obsolete due to technological changes. phasing out of equipment. replacement by more efficient and modern equipment
- e) items becoming redundant/ surplus due to wrong procurement/over procurement.

### *10.2. Classification of items needing disposal*

#### *102.1. Scrap*

All items of stores which can no longer be used for the purpose for which they were acquired or for an alternative use within the Institution due to wear and tear resulting from extensive use or damaged beyond economical repair shall be termed as scrap. Scrap may arise due to a number of reasons like breakage, empties, packing materials. worn out tools. Some of the scrap items generated in the institution are used tires, packing materials, newspapers etc.

#### *10.2.2: Obsolete items*

These are partially used and not damaged (reusable) or unused items. spares or equipment which have economical worth but are no longer useful to the Company owing to many reasons such as change in process or materials. as well as phasing out of equipment. Items also become obsolete due to standardization efforts. Spares are more prone to obsolescence than other materials such as consumable or raw materials.

#### *10.2.3. Surplus/redundant items:*

Surplus items are not obsolete. When the quantity of an item in stock is more than the reasonably necessary to provide adequate and effective services to user departments, the excesses over normal holding is said to be surplus or redundant. Items may become surplus due to improper inventory control, unpredicted changes in consumption patterns, due to standardization. modification or replacement of some equipment, development of alternate and/or cheaper materials and sometimes due to faulty warehousing and existence of duplicate codes.

### *10.3. Authority for declaring items as scrap, surplus and obsolete for disposal action*

All departments should advise the Procurement Section of any items that need to be disposed off. This includes the employee in charge of stores who should also come up with a list within a reasonable time after stores or equipment become unserviceable, obsolete or surplus.

The procurement officer who is the secretary to the disposal committee shall make a list of all items recommended for disposal and bring the matter to the attention of the Disposal Committee who will survey the items and make recommendations for disposal. (Where the Supply chain is more developed and there is a Stores Officer in charge of stores. the Stores officer will be the convener and secretary of the disposal committee).

User departments will accumulate scrap: classify it into categories and forward the list to the Procurement (stores) Unit.

The Procurement Officer will then put together the lists from the different user departments. He/she shall be responsible for coordination and convening the disposal committee meetings, preparation of the agenda, circulating the documents relating to the disposal of materials, preparation of committee's recommendations and obtaining approvals of relevant authorities as per delegation of power.

### *10.4: The Disposal Committee*

The Committee which may also be called the Asset Disposal Committee shall be comprised of representatives from: -

- The DVC (A &F) or officer in charge of finance
- e the finance officer
- registrar (or property manager)
- The Procurement Officer
- User departments

#### *10.4 1. functions of the Disposal committee*

(a) Approving of items and classification into scrap, surplus and obsolete categories.

(b) To recommend possible utilization of surplus material within the institution for on-going works/future works A copy of the Disposal Committees recommendation in this regard shall be sent to the Head of Finance

(c) Decide whether worn out items, equipment are repairable and if so, the extent and mode of repair and estimated cost. If the item is repairable and cost of repair is very high and incommensurate with value of items, the Committee shall recommend them to be classified as scrap.

Such decisions shall however be taken keeping in view the following aspects:

- Cost of reconditioned verses cost of procurement/making new item.
- Life expectancy from reconditioned component versus replaced new item.
- Manpower cost associated in repairing defective items.
- Safety

d) Recommending mode of disposal i.e. auction. tendering or sale to employees etc.

e) Fixing reserve prices of items recommended for disposal keeping in mind of the following factors: -

- Rates of scrap metal/materials appearing in the Market
  - Condition of materials to be disposed of.
  - Local condition of unit disposing off scrap including geographical location (in case of Teaching Centers outside Kikuyu)
- f) The Committee shall also examine the materials (including packing materials) with no worthwhile economical value and recommend disposal action like destroying/ disposing them as debris/garbage.
- g) To act as a referee in case of disputes connected with classification of any item as scrap, obsolete, surplus or repairable.
- h) To review the earlier recommendations including reserve price in view of feedback furnished by Purchase Section after tender notification and evaluation of bids.

*10.4.2: Frequency of meetings of the Committee:*

The disposal of identified unserviceable stores and equipment should be done as quickly as possible so that the University can obtain the highest value from them.

The meetings of the Committee shall take place as frequently as possible or at least once a year so as to ensure prompt disposal of scrap which shall keep the storage areas clean and also make available funds to the organization otherwise tied up in scrap materials. Any delay in disposal may further risk deterioration and loss of sale value apart from incurring inventory- carrying cost.

*10.5. Methods of Disposal*

1. The items can be disposed through: -
  - a) Sale by tender or public auction
  - b) Transfer the item to another Centre with OR without financial adjustment
  - c) Destruction
  - d) Sale to employees at an agreed price. The university (under special circumstances) may decide to give first priority to its employees
2. Minutes shall be made at every meeting, detailing what has been approved for disposal and the method of disposal.

The recommendations of the committee shall be approved by the vice chancellor before they are implemented.

The disposal process should not take more than six months after identification of the items

*10.5.1: Sale by tender*

This method is usually used for high value items.

Sale by tender will be arranged in the same way as a purchase tender. Advertisements are done, the tenders closed and opened following the same regulations as those in a purchase tender. After evaluation, the sale is awarded to the highest bidder, unless there are unacceptable conditions of sale.

*10.5.1: Sale by auction*

This method is mainly used for low value common user items. The Stores Officer shall arrange together similar items into lots.

- A contract shall be arranged with professional service providers- in this case auctioneers over a specified period.
- The conditions of the contract must be made in such a way that the transfer of sale proceeds is made promptly together with a set of the auction accounts.
- The Disposal committee should set reserve prices before the auction arrangements.
- Goods should not be released until full payment has been received.
- Representation of the institution during the auction is important

*10.6: Inspection of disposable items by prospective bidders*

Since the scrap is sold on "as is where is basis", opportunity need to be provided to prospective bidder to inspect the scrap materials before submitting the bids to satisfy themselves on all points with regard to quantity, nature, conditions and other details.

In view of this, they are allowed by the procurement officer. to inspect the materials within the allowed times according to the tender documents or sale notification.

*10.7: Handing over of scrap or obsolete items to Purchaser*

Purchase section after receipt of complete details of obsolete/scrap materials along with duly approved recommendations of the Disposal Committee shall proceed and initiate the disposal action as recommended by the committee and approved by the relevant authority.

Before disposing off obsolete items especially assets as scrap. financial sanction is needed in order to write off their value from the books.

The purchaser's authorized representative shall upon payment of the sale price present the receipt to the procurement unit.

A. delivery note showing the date, item and place from which the item is being collected is prepared and signed by the chairman and secretary of the committee. The purchaser's representative shall sign to acknowledge receipt of materials. The security officer shall prepare and approve an exit gate pass.

## 11.0: Code of Ethics

All those involved in the procurement process should remember the procurement code of ethics as stipulated by the Chartered Institute of Purchasing and Supplies (CIPS). In Kenya we have the Kenya Institute of Supplies Management which aspires to the same principles, but still working towards the regulation of the Purchasing and Supply profession.

Members of the Institute undertake to work to exceed the expectations of the following code. The code is regarded as the basis of best practice in the Purchasing and Supply profession.

Under the code, a company official shall not use his or her office for personal gain. Personal gain includes accepting or requesting anything of material value from tenderers, prospective tenderers or suppliers for the company official, his or her spouse, parents, children or other close relatives, or for other persons from whom the company official might gain direct or indirect benefit of the gift.

A company official shall seek to maintain and enhance the reputation of the company by, maintaining the highest standards of honesty and integrity in all relationships both inside and outside the company in which he works, developing the highest possible standards of professional competence. using funds and other resources for which he or she is responsible to provide the maximum benefit to the company, and complying both with the letter and the spirit of the laws and regulations of Kenya Government. accepted professional ethics, and contractual obligations. In applying these principles, all company officials involved in the procurement process should Follow the guidance set out below: -

### *11.1: conflict of interest*

A company official shall declare any personal interest that may affect or might reasonably be deemed by others to affect impartiality in any matter relevant to his duties. In a situation of this nature, the officer should not participate in any way in the tendering process to avoid mis-procurement.

### *11.2: confidentiality and accuracy of information*

A company official shall respect the confidentiality of information gained in the course of duty and shall not use such information for personal gain or for the unfair benefit of any tenderer or supplier. information given by a company official in the course of his or her duty shall be true, fair and not designed to mislead.

### *11.3: Competition*

A company official shall treat all tenderers and suppliers with fairness and impartiality and avoid any business arrangement that might prevent the effective operation of fair competition.

#### *10.4: Business gifts*

A company official shall not accept business gifts from current or potential company suppliers unless such gifts are of very small intrinsic value such as a calendar or business diary.

#### *11.5: hospitality*

A company official shall refrain from accepting any business hospitality that might be viewed by others as having an influence in making a company business decision as a result of accepting that hospitality.

#### *11.6: Declaration by company officials*

All officials must sign that they agree to abide by the rules and regulations and in particular the ethical code of behavior.

Members of Tender Evaluation Panels may be required to sign and attach a further declaration to each and every evaluation report in which they participate as follows:

"In undertaking my role in this Evaluation Panel, I will uphold the highest ethical values:

- a. I will declare any personal interest which may possibly have a conflict with any interest in this evaluation process
- b. I will not accept cash, loans, credit, presents, recreation, favors or services from any supplier or potential supplier
- c. I will ensure that all information pertaining to this procurement process is kept confidential, and
- d. Personal reasons will not affect the selection of suppliers...

#### *11.7: Reporting*

A company official has a duty to report any unethical conduct by a colleague, a tenderer or a supplier to his superior or to the auditors.

#### *11.8: Obligations of a company official*

The guiding principles of ethical behavior are impartiality, independence and integrity. Ethical behavior must be promoted and supported by appropriate systems and procedures, but system and strict adherence to procedures alone cannot create an ethical and accountable procurement function.

Company procurement personnel are obliged to follow the regulations governing company procurement. Moreover, it is absolutely essential that all procurement activities are carried out in a manner above reproach with complete impartiality and with no preferential treatment. The procurement process must allow suppliers, contractors and consultants to compete for business on a fair basis. Company officials associated with the procurement function, therefore, are responsible for protecting the integrity of the procurement process and maintaining fairness in the company's treatment of all suppliers, contractors and consultants.