

**AFRICA CENTRE OF EXCELLENCE – REGIONAL WATER AND  
ENVIRONMENTAL SANITATION CENTRE, KUMASI (KNUST)**

**PROCUREMENT AUDIT REPORT**

**2018**

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TIN: C0002713454

25<sup>th</sup> June, 2019

The Centre Leader  
ACE – RWESCK  
KNUST.

Dear Sir,

## **PROCUREMENT AUDIT REPORT**

We have completed the Procurement Audit of the Africa Centre of Excellence – Regional Water and Environmental Sanitation Centre, Kumasi (KNUST) Project for the year ended 31<sup>st</sup> December, 2018. In accordance with our firm's practice, we are reporting on the matters which arose during our audit and you will appreciate that our audit procedures are designed primarily with the view of expressing an opinion on the procurement activities carried out by the Centre.

This report has been prepared for your information only and we accept no responsibility for any reliance that may be placed by third parties to whom it should not be shown without our prior consent. Should such a third party obtain a copy without our prior written consent, we would not accept any responsibility for any claim that might be raised on it.

Finally, we wish to express our gratitude to management and staff of Africa Centre of Excellence – Regional Water and Environmental Sanitation Centre, Kumasi (ACE-RWESCK) for the co-operation extended to our staff during the audit.

Thank you.

Yours faithfully,



Donaldy Associates

## **1.0 INTRODUCTION**

The Government of Ghana through the Ministry of Finance and Economic Planning (MOFEP) received support from the World Bank for the research into Water and Environmental Sanitation. The Africa Centre of Excellence - Regional Water and Environmental Sanitation Centre (ACE-RWESCK) of The Kwame Nkrumah University of Science and Technology (KNUST) was selected as one of the centres for the research.

This task involved the procurement of Goods, Works and Services. As prescribed in Section 14 Sub-Section (1d) of the Public Procurement Act 2003, (Act 663), it applies to procurement with funds or loans taken or guaranteed by the state and foreign aid funds. In this regard, the Centre is obliged to comply with the procurement processes as enshrined in the Public Procurement Act 2003, Act 663 as amended.

This report presents the findings and recommendations of the procurement audit undertaken on the procurement activities of the Centre in terms of compliance with statutory requirements for the financial year ended 31<sup>st</sup> December, 2018.

## **1.1 OBJECTIVES OF THE AUDIT**

The objectives of the audit were:

1. To ascertain whether the centre has the requisite procurement structures in place to be able to undertake its procurement activities in the performance of its mandate conferred on them by the University and any other relevant legislation;
2. To ascertain whether the procurement procedures of the centre are in compliance with statutory requirements as enshrined in the Public Procurement Act 2003, (Act 663) as amended which will transcend into the achievement of savings and value-for-money in the use of public funds;
3. To ascertain if proper records are maintained in respect of its procurement activities; and
4. To identify best practices and challenges with the procurement processes and recommend appropriate and sustainable measures for continuous improvement.

## **1.2 ACKNOWLEDGEMENT**

The team wishes to express its profound gratitude to Management of ACE – RWESCK and Staff of the Procurement Unit of KNUSTSCM for their cooperation during the audit period.

## **2.0 SCOPE OF THE AUDIT REPORT**

The audit covered the procurement activities of the Africa Centre of Excellence-Regional Water and Environmental Sanitation Centre (KNUST) on Goods, Works and Services (Consulting and Non-Consulting) for the financial year ended 31<sup>st</sup> December, 2018.

This is presented under four (4) main areas:

1. Procurement Structures
2. Procurement Process
3. Contract Management
4. Records Keeping on the Procurement Activities

## **3.0 METHODOLOGY OF THE AUDIT**

The approach employed in the audit had a direct impact on the outcomes and it included the following:

- Data collection
- Interviews

### **3.1 Data Collection Approach**

The data collection approach was evidence-based i.e. documentary evidence. Documents (Tender documents, Award of Contracts, Payment Vouchers, etc.) were examined at both the University Procurement Office and the RWESCK Office.

Contract data sheets were used to collect quantitative data on procurement transactions from beginning to the end. Each of these areas has Key Performance Criteria (KPC) which was used to capture the relevant performance data relating to each of these four main areas. The performance of the entity as relates to each key performance criterion is detailed below under findings and discussions.

## **3.2 Interviews**

The Staff who were involved in the procurement process in both offices were interviewed to seek clarifications on the processes and documentations. We interviewed two staff from the procurement unit and the Project Accountant at the Centre.

## **4.0 DETAILS OF FINDINGS AND RECOMMENDATIONS**

### **4.1 Procurement Structures**

We ascertained the availability of the prescribed procurement structures in accordance with the Public Procurement Act 2003 (Act 663) as amended, the extent of support provided by management of the entity in the establishment of the required structures to ensure proper handling of procurement activities of the centre.

#### **Criteria (Reference to the Act)**

Part two of the Public Procurement Act 663 as amended prescribes the required procurement structures that must be in place in every Public Procurement Entity. These include:

- The head of entity
- Functional procurement unit
- The entity tender committee
- Tender opening panel (Ad-hoc)
- Tender evaluation panel (Ad-hoc)

The Centre is not an entity on its own but rather a unit within an entity which is the University. Due to this it is expected to operate using these procurement structures established by the University.

The review sought to find out; (i) if these prescribed structures in accordance with the Public Procurement Act 2003 (Act 663) as amended are in place at the University, (ii) how the centre is making use of them in its procurement activities and (iii) the deployment of properly qualified human resource in handling the procurement activities.

## Findings

The documents we reviewed gave evidence that all the prescribed structures were in place in the University and played their roles as prescribed.

The Head of Entity played its role in the procurement processes as prescribed by section 15 of Act 663 as amended and section 2.3 of the Public Procurement Manual of reviewing and granting of approval of recommendations of contracts values within his threshold, signing of contract agreement on behalf of the centre in accordance with the prescribed procedure and playing the role as the chairman of the Entity Tender Committee.

On the Procurement Unit, Section 2.4 of the Public Procurement Manual defines, in part, “a Procurement Unit as an outfit in a Procurement Entity with the responsibility of superintending procurement. The Head of the Procurement Unit (and his/her team) shall be responsible for undertaking and coordinating all procurement activities within the Procurement Entity”. The University complied with this provision and had a functional Procurement Unit, well-staffed with qualified procurement professionals who handled the procurement of Goods and Services of the centre for the year under review. However, the procurement of works was done in collaboration with the Works and Physical Development Directorate.

Again, The University had in place an Entity Tender Committee in accordance with the requirement prescribed in schedule 1B3, Category C (Tertiary institutions) of the Public Procurement Act 2003, (Act 663) as amended. The Entity Tender Committee executed its mandate as the oversight body by ensuring every stage of the procurement activity and procedures prescribed in the Public Procurement Act 2003, (Act 663) are followed. It also exercised sound judgement in making procurement decisions.

Notices of meetings and Minutes of meetings of the committee on approvals for procurements undertaken by the Centre and contract values within the approved threshold of the committee were sighted.

Other ad-hoc structures such as the Tender Opening Panel and Tender Evaluation Panel were used as and when the need arises. Notices of meetings and Minutes of meetings of such committees were also sighted.

Generally, the audit revealed that, the prescribed procurement structures are in place to support the procurement activities of the centre.

## **Defects**

Section 19(1) of Act 663 as amended and 2.6.1 of the Public Procurement Manual, 2003 prescribed the composition of an evaluation panel as an ad-hoc body constituted for a specific procurement package. That is on a case by case basis.

Even though the evaluation committee were constituted when the need arises, minutes of meetings and memos sighted indicated permanent membership of the chairman for Goods and Services Evaluation Committee and Works Evaluation Committee and some members who were members in all the evaluation committees as per the category.

## **Effect**

The appointment of permanent chairpersons for evaluation committees of goods and services and works and some members defeats the requirement of composing an ad-hoc committee as prescribed by the Public Procurement Act 663 as amended and the Public Procurement Manual, 2003. Again for best practices it does not encourage transparency in the evaluation process.

## **4.2 PROCUREMENT PROCESS**

The audit under procurement process sought information on the centre's knowledge of the procurement cycle and how they conducted its activities at each stage. The handling of each stage of the procurement cycle is of utmost importance to the success or otherwise of any procurement transaction of the centre. The audit therefore examined the entire procurement cycle of sampled contracts on Goods, Works and Services to assess compliance to the Public Procurement Act 2003, (663) As Amended 2016 (Act 914). For each contract, the following were examined; Planning, Sourcing, Tendering process, Evaluation, Contracting and Contract Agreement and Payments.

### **4.2.1 Procurement Planning**

#### **Criteria (Reference to the Act)**

Section 21 (1) of the Public Procurement Act 2003, (Act 663) as amended, mandates entities to prepare a procurement plan to support its approved programme and the plan shall indicate

Contract Packages, Estimated Cost for Each Package, the Procurement Method and Processing Steps and Times.



Section 21 (2) in addition, prescribes that a procurement entity shall submit to its tender committee not later than one month to the end of the financial year the procurement plan for the following year for approval.

Section 21 (3) of the Public Procurement Act 2003, (Act 663), as amended required that after budget approval and at quarterly intervals an entity shall submit an update of the procurement plan to the Tender Committee and the Public Procurement Authority.

During project execution, the original procurement plan should be regularly monitored and updated. The essence is to see how actual performance compares with the planned activities and to make changes in the plan if necessary. If slippage occurs in the award or execution of one major contract, it may require rescheduling of other related contract awards and deliveries. The purpose of monitoring is to complete the details of what has actually been executed, to note whether there are major discrepancies with what was anticipated, and make adjustments in the plans so as to give a complete picture of procurement performance

### **Findings**

The Centre complied with this requirement from documentary evidence we examined for the year under review. There was evidence of the approval of the plan by the Entity Tender Committee (E.T.C.).

Review of the plan indicated the plan was consolidated and it covered the needs of the entire organization. All the contract packages reviewed were all captured in the plan.

This enhanced bulk purchasing and its advantages of efficiency and economy. The audit examined Tender notices both Price Quotations and National Competitive Tendering to ascertain if they were issued in accordance with the procurement plan. Hard copies of the procurement plan for the year 2018 were provided for our examination.

The Audit revealed that, about **90%** of the planned procurement of Goods have been procured, the works procurement was in progress (2<sup>nd</sup> Phase) of the Proposed Regional Water and Environmental Sanitation Centre and that was handled by the University. Evidence from progress reports on the project indicated completion of Phase I of the project.

However, with Services procurement, about **60%** of the planned contract packages had been achieved. The Officers indicated that the Centre made use of internal resources for the remainder of the services.

## **Defects**

The Centre did not comply with the requirement of Section 21 (3) of the Public Procurement Act 2003, (Act 663), as amended on the quarterly update of procurement plan and submitting the plan to the Entity Tender Committee for review and approval.

## **Effect**

Monitoring of performance to identify major discrepancies and revision of procurement plan may be difficult when there is a change in the initial plan.

### **4.2.2 Sourcing**

Sourcing for suppliers, contractors and consultants were also examined in terms of the tender notices and use of standard tender documents.

### **Criteria (Reference to the Act)**

## **Findings**

Procurement documents we reviewed gave evidence of transparency in sourcing for suppliers for both the Price Quotation and National Competitive Tendering procurement methods used in the year under review. The selection of suppliers for Price Quotation was done by using the supplier database of the University whereas National Competitive Tendering was done by advertising in a newspaper of nationwide coverage as prescribed by the Act.

## **Defects**

No defect was identified.

### **4.2.3 Tendering Process**

The Tendering process which involved the invitation to tender, submission of tenders and tender opening was also examined. Documents we reviewed gave evidence that, tenders were invited using Standard Tender Documents with the requisite technical specifications and fair and transparent rules apply for the selection of tenderers.

The clarity of tendering instructions such as specific dates and times of invitation and submission of tenders and the use of appropriate tender documents helped to ensure consistency in the quality of tenders submitted for the centre.

On Tender opening, signed minutes of tender opening and other records were sighted. There were evidences of opening tenders publicly according to defined procedures specified in the tender documents which enhanced transparency.

### **Defects**

No defect was identified.

#### **4.2.4 Tender Evaluation**

##### **Criteria (Reference to the Act & Manual, etc.)**

Section 59 (1) and (2) of Act 663 as amended stipulates that, the procurement entity shall evaluate and compare the tenders that have been accepted to ascertain the successful tender in accordance with the procedures and criteria set out in the invitation documents.

No criterion shall be used that has not been set out in the invitation documents.

The instruction to tenderers (ITT 11.1 of the Standard Tender Document for National Competitive Tendering (Goods) prescribes that, the tenderer shall complete the tender form and the appropriate price schedule. ITT 26.1, (b) on examination of tenders and determination of responsiveness indicate the tender properly signed as a requirement for responsiveness.

Additionally, the Public Procurement Manual, 2003 4.14.1 under examination of tenders indicates the evaluation panel as part of the Preliminary Examination of tenders must determine if the tender has been correctly signed and authorized.

In view of this, the audit examined the tender evaluation and award of contract stage by reviewing the Tender Evaluation and recommendation of contract award reports on the various contracts, Tender Evaluation minutes and other documentation on the evaluation of the tenders.

## **Findings**

Our review indicated that, the Centre used pre-disclosed criteria and clear methodology in tender documents for evaluation. However, the challenge under the tender evaluation process was the failure to reject tenderers with uncompleted and unsigned Tender forms under the Price quotation procurement method.

The entity in the tender data sheet 28.4 concerning evaluation and comparison of tenders complied with this provision and indicated tender signed as a requirement of passing the preliminary examination in the Standard Tender Document for National Competitive Tendering and Price quotation used for the invitation.

This was complied with under the National Competitive Tendering. However, under the Price quotations, tenderers who failed to complete and sign the tender forms were passed as responsive at the preliminary examination, (stage 1) to the other stages and won contracts.

### **Defects**

The Centre failed to reject Tenderers who submitted tenders with uncompleted and unsigned Tender Forms.

### **Effect**

The tender form is the legal document which summarises the terms and conditions of the tender. The completion and signing of the tender form confirms the supplier's acceptance of these terms and conditions. This supersedes the price schedule which contains only the items to be supplied and their prices.

Therefore, failure of tenderers to complete and sign the tender form means they are not bound to the terms and conditions of the tender and the entity could not apply such terms and conditions to them, since the non-completion and signing of the tender form relieve them from the terms and conditions of the tender.

This poses a high risk to the Centre because in the event of any legal action, the centre cannot be exonerated.

#### **4.2.5 Contracting and Contract Agreement**

The conclusion of evaluation of tenders for the procurement of goods, works or services is the determination of the “lowest evaluated responsive tender”. Procurement entities have to take all measures needed to complete the evaluation process in good time, including clearances of award recommendation before the expiration of tender validity period.

##### **Criteria (Reference to the Act/Manual, etc.):**

Section 65(1) of Act 663 as amended states that, a tender that has been ascertained to be the successful one in accordance with this act shall be accepted and notice of acceptance of the tender shall be given within 30 days of the acceptance of the tender to the supplier or contractor submitting the tender.

The Standard Tender Document (STD) (Section 1 of Instructions to Tender (ITT) 40.1) for the Procurement of Goods specifies that the purchaser shall award the contract to the Tenderer whose offer has been determined to be the lowest evaluated Tender and is substantially responsive to the Tender documents, provided the Tenderer is qualified to perform the contract satisfactorily.

Section 65(2) of Act 663 as amended also states that, where the tender documents require the supplier or contractor whose tender has been accepted to sign a written procurement contract conforming to the tender, the procurement entity and the supplier or contractor shall sign the procurement contract within 30 days after notice referred to in subsection (1) is dispatched to the supplier or contractor.

Section 65(9) of Act 663 as amended states that, a procurement entity shall give notice of the procurement contract in writing to unsuccessful suppliers and contractors with details of names, addresses, commencement dates and the value of the contract.

Upon notification of contract award to the successful tender by the Procurement Entity or Purchaser, and upon fulfilment of contractual obligations prior to contract execution such as the provision of performance security, by the successful tenderer, tender securities of unsuccessful tenderers should be returned promptly to them.

## **Findings**

The documents reviewed gave evidence that the Centre complied with the recommendations in the evaluation reports approved by the relevant approving authorities and accordingly awarded contracts to the suppliers who have been recommended as the Lowest Evaluated Responsive Tender.

The Centre complied with the provisions of section 65(1), (2) and (9) by giving Notification of contract awards, signing of contract agreement with the suppliers and wrote to unsuccessful tenderers in accordance with the requirement of Act 663 as amended.

Evidence of return of tender securities to unsuccessful tenderers were also sighted.

## **Defects**

No defects were identified.

## **5.0 CONTRACT MANAGEMENT**

### **Criteria (Reference to the Act/Manual, etc.)**

Section 5.18 of the Public Procurement manual states that, effective management of contracts is essential to ensure the objectives of the procurement process are achieved and that all contractual obligations and activities are completed efficiently by both parties to the contract.

The Procurement Unit or the Technical Department concerned must ensure that routine monitoring of all current contracts is maintained so that swift remedial measures can be taken when problems arise, or preventative action taken when problems are foreseen.

## **Findings**

Under Contract Management, our review focused on how the centre followed through the execution of the contracts they awarded. This is a very critical category as it has a great impact of affecting the achievement of value for money if the procurement process is erroneously perceived to have ended once the contract was signed.

The review sought to find out how the Centre managed the contract execution from the planning and mobilisation stage through implementation and supervision to project closure or disposal stages with all the reports that were to be issued at each stage.

Evidence gathered through the documents we examined indicated good contract management practices. The centre in collaboration with the Contract Administrator at the procurement unit of the university effectively managed contracts. Documents we reviewed gave evidence of follow-ups on contracts awarded. Thus written letters to suppliers who had delayed delivery and correspondences from them were sighted. Cancellation of contracts due to delayed delivery and re-awarding to the next Lowest Evaluated Tenderer were also available.

Again, inspection reports and certificate of goods delivered duly signed by appropriate authorities were available and attached to payment vouchers and other relevant documents.

On the works procurement undertaken, the Centre had an inspection team which conducted site inspection of the projects and had written site meeting reports on file. Also, progress reports from the contractor were also frequently provided with copies on file and attached to relevant documents.

### **Defects**

No defects were identified.

## **6.0 RECORD KEEPING ON PROCUREMENT ACTIVITIES**

Record keeping on the Procurement Activities includes the following:

- Keeping of separate files for each contract package
- Files containing information on each of the processes from initiation to the end
- Retrieving of information from files

Documentary records both in print or electronic format are essential for efficient and effective management of activities, provide evidence in support of decisions and actions taken, and provide an audit trail for verification of transparency, accountability and effectiveness.

In view of this the Centre in collaboration with the University's Procurement Unit must ensure they obtain, retain and maintain appropriate documentation supporting activities for which they are responsible.

### **Criteria (Reference to the Act & Manual):**

Section 28 of the Public Procurement Act 2003, (Act 663) as amended gives details of the record of procurement proceedings and Section 1.10.3 of the Public Procurement Manual, 2003

also provide details of the records that every procurement file must contain from initiation to the end. Thus, all the documents related to the contract must be on the specific contract file

### **Findings**

The Procurement unit did well by keeping separate files for each contract package as planned. However, in the course of the audit, at the Procurement unit, it was identified that some documents related to particular contracts such as letters written to suppliers for some clarifications on their submitted tender were not on the files but were available at a different department. In some situations, there were some misfiling where documents such as tender securities of a supplier of a different contract were misfiled with another tender security on a contract file.

### **Defects**

The main defects under records keeping was the partial records on file and misfiling of documents on file.

### **Effect**

Incomplete filing and files not containing the right information does not help the effective management of procurement activities, provide evidence in support of decisions and actions taken and provide evidence to aid audit trail for verification of transparency, accountability and effectiveness.

## **7.0 CONCLUSION**

In conclusion, the overall performance rating of the Centre on the conduct of its procurement activities in the year 2018 was satisfactory. The results from all the four main performance areas of Procurement Structures, Procurement Process, Contract Management and Records Management audited was encouraging and generally indicated that, the Centre complied with the statutory requirements of the Public Procurement Act 2003, (Act 663) as amended and achieved the principles of Transparency, Fairness, Efficiency and Value for money.

However, there were some few challenges as we have indicated in this report that must be worked on in order to achieve excellence. The Centre must implement the following recommendations to help correct the challenges identified.



## 8.0 RECOMMENDATIONS

The following recommendations are made with the aim of sustaining the gains made in the 2018 procurement activities of the centre as well as enabling the Centre to improve on its compliance with the requirements as prescribed in Public Procurement Act 2003, (Act 663) as amended in the conduct of their procurement activities in the coming year.

1. The Centre must continue with its collaboration with the Procurement Unit of the entity in its procurement activities to sustain the gains made. In this regard, it must ensure that, all procurement transactions are handled in collaboration with the Procurement unit of the University.
2. The procurement structures must continue to perform their duties at the various stages in the procurement process to ensure an effective and efficient procurement system. However, for best practice and to enhance transparency, chairpersons and membership of Tender Evaluation committee must not be permanent. The university must avoid constituting the same chairpersons and members for tender evaluation.
3. The centre in collaboration with the Procurement Unit of the University must quarterly review and update the procurement plan and seek approval from the Entity Tender Committee as prescribed by section 21 of the Public Procurement Act 2003 (Act 663) as amended. This will help provide the details of what has actually been executed, to note whether there are major discrepancies with what was anticipated, and make adjustments in the plans so as to give a complete picture of procurement performance.
4. The Procurement Unit in collaboration with the Centre must make sure that tenderers sign tender forms when submitting at the Preliminary Evaluation and must be treated as such in subsequent Tender evaluations.
5. The Procurement Unit in collaboration with the Centre must improve on its record keeping. There is the need to avoid partial and incomplete records being held. To help solve this challenge the centre must comply with Section 28 of the Public Procurement Act 2003, (Act 663) as amended on the record of procurement proceedings and Section 1.10.3 of the Public Procurement Manual, 2003 which give details of the records that every procurement file must contain.