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

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PROCUREMENT AUDIT REPORT

31 DECEMBER, 2017

DONALDY ASSOCIATES

**REPORT ON PROCUREMENT AUDIT ON THE PROCUREMENT ACTIVITIES**  
**UNDERTAKEN BY THE REGIONAL WATER AND ENVIRONMENTAL**  
**SANITATION CENTRE (KNUST)- KUMASI FOR THE YEAR ENDED 31**  
**DECEMBER, 2017.**

**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 Sanitation. The Regional Water and Environmental Sanitation Centre of The Kwame Nkrumah University of Science and Technology (KNUST) was selected as one of the centres for the research. In pursuing this task involved the procurement of Goods, Works and Services. As prescribed in section 14 sub sections (1 d) of the Public Procurement Act 2003, (Act 663), the Public Procurement Act 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 in the Public Procurement (Amendment) Act 2016, (Act 914).

This report presents the findings of the procurement audit undertaken on the procurement activities of the Water and Sanitation Centre, KNUST in terms of their compliance with statutory requirements for the year ended 31 December, 2017.

**1.1 Objectives of the Audit:**

The Centre as a public entity must ensure good practices in the procurement of goods, works and services, which will transcend into the achievement of savings and value-for-money. Therefore, the objectives for undertaking the audit were to ascertain the following:

1. 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 by the Public Procurement (Amendment) Act 2016, (Act 914).
2. To ascertain the Centre's adherence to best practices in the procurement of Goods, Works and Services, which will transcend into the achievement of savings and value-for-money.
3. To evaluate the effectiveness of control systems in procurement at the centre to achieve the desired results in the provision of goods, executions of works and the provision of services.

4. To identify best practices and lessons learned, and recommend appropriate and sustainable measures for continuous improvement.

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

The audit covered the procurement of Goods, Works and Services (Consulting and Non-Consulting) for the period 1 January, 2017 to 31 December, 2017.

The report covers five main areas:

1. Procurement Structures
2. Monitoring and Control Systems
3. Procurement Process
4. Contract Management
5. Record Keeping on the Procurement Activities

## **3.0 METHODOLOGY OF THE AUDIT**

The methodology employed in the audit had a direct impact on the outcomes. That is achieving the set objectives. This included:

- Data collection and review
- Interviews

### **3.1 Data Collection Approach**

The data collection exercise was evidence - based. Thus, documentary evidence was the main basis. To achieve the aim of basing the audit on documentary evidence, visits were made to both the research centre and the procurement unit by us where documents on procurement transactions carried out from initiation to the end were reviewed.

### **3.2 Interviews:**

The Staff who were involved in the procurement process at both the research centre and procurement units were interviewed to seek clarifications on some processes and documentations.

Contract data sheets were used to collect quantitative data on procurement transactions from initiation to the end.

The report covers five main areas:

1. Procurement Structures
2. Monitoring and Control Systems
3. Procurement Process
4. Contract Management
5. Record Keeping on the procurement activities

Each of these areas has Key Performance Criteria (KPC) which was used to capture their relevant performance data. The performance of the entity as relates to each key performance criterion is detailed below under findings and discussions and Table 1 attached.

### **4.0 FINDINGS AND DISCUSSIONS**

The findings of the 2017 procurement audit exercise is presented under the five main areas as outlined under the scope of the audit. These are:

1. Procurement Structures
2. Monitoring and Control Systems
3. Procurement Process
4. Contract Management
5. Record keeping on the procurement activities

Each of these has sub-categories which contributed to the results achieved. The sub-categories are:

1. Procurement structures

- Head of entity's involvement in the procurement process
- Functional procurement unit
- A well composed Entity tender committee

2. Monitoring and Control Systems

3. Procurement Process

- Procurement planning
- Sourcing
- Tendering process
- Tender evaluation
- Contracting and contract agreements

4. Contract Management

- Planning and mobilization
- Implementation
- Supervision
- Inspection
- Inventory control and disposal
- Reporting

5. Record keeping on the procurement activities

- 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

#### **4.1 PROCUREMENT STRUCTURES:**

This category looks at the availability of the prescribed procurement structures in accordance with the Public Procurement Act 2003, (Act 663), the extent of support provided by the management of the entity in the establishment of the required structures to ensure the proper handling of procurement activities of the centre. Additionally, the audit also looked at the deployment of properly qualified and adequate human resources to undertake the centre's procurement activities.

Documents reviewed gave evidence of the head of entity's involvement in the procurement processes of the centre by granting approval of contract values within his threshold, signing of contract agreements in accordance with the prescribed procedure and playing the role as the chairman of the entity tender committee.

Secondly, the university has a functional Procurement Unit managed by professionally qualified procurement officers who handles the day to day procurement activities for the project. This confirms that the centre has the prescribed procurement structure in place and qualified human resource to handle the procurement activities.

Again, it has a well constituted Entity Tender Committee. The Entity Tender Committee played their role as the oversight body by ensuring every stage of the procurement activity, procedures prescribed in the Public Procurement Act 2003, (Act 663) were followed and also exercised sound judgement in making procurement decisions.

Minutes of meetings of the Entity Tender Committee indicated approvals granted for contract values of within the approval threshold of the committee for procurements undertaken by the centre.

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

#### **4.2 MONITORING AND CONTROL SYSTEMS:**

On Monitoring and Control systems, documents examined such as Memos on request for procurement of items for the centre, letters of invitation and other correspondences had evidence of approval being sought from relevant approving authorities and approvals given

by the relevant authorities were all evidenced in the procurement documents and payment vouchers. These confirmed control systems in place.

#### **4.3 PROCUREMENT PROCESS**

The audit under procurement process sought information on the centre's knowledge of the procurement cycle and how they were conducting their activities at each stage. The handling of each stage of the procurement cycle is of utmost importance to the success or otherwise of the procurement transaction of the centre. The audit therefore examined the entire procurement cycle of sampled contracts of Goods, Works and Services to assess compliance to the Public Procurement Act 2003, (Act 663) as Amended 2016, (Act 914). For each contract, the following were examined;

1. Planning
2. Sourcing
3. Tendering process
4. Evaluation
5. Contracting and contract agreement
6. Contract management
7. Payments

The centre was to demonstrate that, they had an approved procurement plan and that whatever, they had procured was from their procurement budget for the year. The audit examined Tender notices both Price quotations and National competitive tendering to ascertain if they were issued in accordance with these procurement plans.

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

The tendering process which involved the invitation to tender, submission of tenders and tender opening were also examined.

The audit also examined the tender evaluation and award of contract by reviewing the Tender Evaluation reports on the various contracts, Tender Evaluation minutes and other documentation on the evaluation of the tenders.

Evidence on the fair and transparent conduct of the procurement activities was requested for in addition. That is, not only informing winners of contract awards, but also informing the losers of the outcome of the tendering processes to enhance transparency.

All these were duly followed and executed.

#### **4.4 CONTRACT MANAGEMENT:**

The audit under the Contract Management category examined 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 audit 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.

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 put on file and attached to relevant documents.

Additionally with the goods procurement, there were documents on follow-ups on contracts awarded. Thus written letters to suppliers who had delayed delivery and correspondences from them were sighted.

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

Information indicated in the progress reports on the construction indicated that the work was progressing but behind schedule.



#### **4.5 RECORD KEEPING ON PROCUREMENT ACTIVITIES:**

The procurement unit had improved on its documentation by attaching the relevant documents such as minutes of tender openings and evaluation meetings, tender opening records sheet, etc. to the evaluation reports as recommended in our previous report. Also, separate files were kept for the specific contract packages as planned.

Unfortunately, with the procurements undertaken by the Centre itself, there were no formal filing system in place, records on procurement were filed together with accounting payment vouchers.

#### **5.0 SHORTFALLS IDENTIFIED IN THE PROCUREMENT PROCESSES:**

##### **GOODS:**

Auditing of payment voucher files revealed that the Centre procured some goods within the threshold of ten thousand Ghana Cedis (**GH¢10,000**) which were approved by the Provost, four thousand (**GH¢4,000**) by the Dean and two thousand Ghana Cedis (**GH¢2,000**) by the Head of Department. Such procurements were handled by the centre instead of the procurement unit of the entity in accordance with the University's internal policy.

As an entity, all procurements should be handled by the Procurement Unit in line with the Public Procurement Act, 2003 (Act 663) to avoid non-compliance of prescribed procurement processes.

##### **WORKS:**

The progress reports on the construction of the proposed Regional Water and Environmental Sanitation Centre indicated the work was progressing but behind schedule. The delay was being caused by the change in the initial site earmarked for the building.

## **SERVICES:**

The procurement plan for 2017 had Six (6) contract packages for consultancy services procurement as shown below:

- Recruitment of an individual architectural, structural, quantity surveying and service consultants (AR/ACE/KNUST/SERV/001/2017)
- Recruitment of an individual consultant to review and design curriculum for new course content (AR/ACE/KNUST/SERV/002/2017)
- Recruitment of an individual consultant to review staff capacity (AR/ACE/KNUST/SERV/003/2017)
- Recruitment of an international accreditation specialist as individual consultant to support international accreditation application (AR/ACE/KNUST/SERV/004/2017)
- Recruitment of an individual consultant to review and design laboratory training curriculum for staff (AR/ACE/KNUST/SERV/005/2017)
- Engagement of procurement audit consultants (AR/ACE/KNUST/SERV/006/2017)

Out of these, two (2) contract packages, 004 and 006 were procured externally whilst three contract (3) packages 001, 002 and 003 were procured using internal consultants. Unfortunately, the contract package, 005 could not be procured during the year because laboratory equipment were not complete to enable procuring a consultant to undertake effective training for staff.

## **6.0 RECOMMENDATIONS:**

These recommendations are made with the aim of sustaining the gains made in the 2017 procurement activities of the centre as well as enabling the centre to improve on the conduct of their procurement activities in the incoming year.

1. The Centre must continue with its collaboration with the Procurement Unit of the University 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 Centre should ensure that all procurements irrespective of the amounts are handled by the Procurement Unit in accordance with the Public Procurement Act, 2003 (Act 663).

3. On the works procurement, (Construction of Proposed Regional Water and Environmental Sanitation Centre) all the six (6) progress reports for 2017 sighted consistently indicated work was behind schedule. Both parties to the contract, thus, the Entity and the contractor must double up their pace of delivery in order to avoid cost overruns and its associated problems.
4. 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 in section 7 (d) of Public Procurement Amendment Act 2016, (Act 914) to ensure the contract packages in the plan are executed.

#### **7.0 CONCLUSION:**

In conclusion, overall performance of the Centre on the conduct of its procurement activities in the year ended 31 December, 2017 was very good. The results from all the four main performance areas of Management Systems, Information and Communication, Procurement Process and Contract Management audited showed that generally, the centre complied with the statutory requirements of the Public Procurement Act 2003, (Act 663) and as amended Public Procurement (Amendment) Act 2016, (Act 914).

However, to achieve excellence, the Centre must implement our recommendations.

Signed: 16<sup>th</sup> April, 2018.



Donaldy Associates