



**ICAC**

INDEPENDENT COMMISSION AGAINST CORRUPTION

## **PROCUREMENT OF GOODS AND SERVICES**

## **BEST PRACTICE GUIDE**

For

**PUBLIC BODIES**

# Procurement of goods and services

## Introduction

One of the main functions of the ICAC is to advise and assist any public body on ways and means in which acts of corruption may be eliminated.

In this perspective the ICAC is proposing a best practice guide on procurement of goods and services, which would provide organisations with user-friendly guidelines on plugging corruption loopholes.

The purpose of this document is therefore to suggest some essential control procedures, which should be implemented in a purchasing and tendering system. As a corruption prevention document, it covers areas, which are most prone to corruption. The aim of this document is therefore to provide guidelines for self-assessment of systems in respect of procurement. It may not therefore be exhaustive.

Organisations can refer to the checklists to ensure that there are adequate systems of control in their organisations.

The guidelines outline some areas of corruption risk in purchasing administration. A “No” answer indicates a potential control weakness requiring necessary action on your part. Otherwise, this will leave opportunities for corruption.

## Procurement and fraud

Almost all organisations purchase goods and services, often in large quantities and involving much money. They need to obtain materials, equipment and services of the right quality and quantity, at the right time and place and at the lowest overall cost.

At the same time, procurement is a highly sensitive area and is subject to criticism. Few activities create greater temptations or offer more opportunities for corruption than public sector procurement.

Procurements involve a purchaser and a seller. Each has many ways of indulging into corrupt practices during the different stages of the procurement process.

Examples are:

## Suppliers

- Collude to fix bid prices;
- Promote discriminatory technical standards;

- Interfere improperly in the work of evaluators; and
- Offer bribes.

### **Purchasers**

- Tailor specifications to favour particular suppliers;
- Restrict information about contracting opportunities;
- Claim urgency as an excuse to award to a single contractor without competition;
- Breach the confidentiality of suppliers' offers;
- Disqualify potential suppliers through improper prequalification;
- Take bribes;
- Fail to enforce quality standards, quantities or other performance standards;
- Divert delivered goods for resale or private use;
- Demand other private benefits;
- Falsify qualities or standard certificates;
- Over or under invoice;

To fight against corruption, all organisations should aim at establishing a fair and efficient procurement system based on the following principles:

- Value for money
- Fairness and impartiality
- Transparency
- Efficiency
- Accountability
- Competence and integrity

## 1.0 Policy and Procedures

The importance of documented policy and procedures is to have written instructions on the discharge of duties and they should be clearly explained to individual staff, so that they know exactly what authorities and discretion they are given.

Each organisation should therefore study their systems and come up with their own purchasing policy procedures. These should be documented in a procurement manual.

### Questions

- 1.1 Whether policy and procedures in respect of procurement have been defined and documented in a procurement manual? Yes  No
- 1.2 Does the statement of procedures clearly state the following?
- Minimum level of authority of the officer responsible for each type of requisition and procurement. Yes  No
  - Financial limits. Yes  No
  - Purchasing method. Yes  No
  - Documents to be used. Yes  No
  - Information needed to support a requisition. Yes  No
  - Conditions and procedures for urgent and special purchase. Yes  No
  - Composition and responsibilities of the different committees. Yes  No
- 1.3 Does the procurement manual deal with corruption? Yes  No
- 1.4 Does your manual include an ethical code for staff involved in procurement? Yes  No

## 2.0 Administrative arrangement

The principle of proper segregation of duties, independent checks and audits should be present at all stages of the procurement process. They are means to prevent and detect errors and at the same time reduce the risk of deliberate manipulations.

Therefore, there is need for proper administrative arrangements for the procurement process.

### Questions

- 2.1 Is the procurement function centralised and under the responsibility of the procurement unit? Yes  No
- 2.2 Is the procurement function segregated from other functions such as receiving/storing and the accounting functions? Yes  No
- 2.3 Are responsibilities properly assigned in respect of the following?
- Preparation of bidding document Yes  No
  - Bidding process management Yes  No
  - Bid opening Yes  No
  - Bid evaluation Yes  No
  - Contract preparation Yes  No
  - Quality control and inspection Yes  No

### Documentation

- 2.4 Does the procurement manual set out all the different documents needed in the purchasing process e.g tender document, quotation form, purchase order? Yes  No

- 2.5 Do you ensure that all controlled documents are sequentially numbered? Yes  No
- 2.6 Do you ensure that controls exist for the printing of controlled forms? Yes  No
- 2.7 Are all controlled forms centrally kept and distributed? Yes  No
- 2.8 Is a register of controlled forms kept? Yes  No
- 2.9 Does the manual clearly indicate the number of copies of each document that should be prepared and the section(s) where these documents should go? Yes  No
- 2.10 Does the organisation have a clear policy for the keeping of procurement documents? Yes  No

### 3.0 Suppliers

There should be established criteria in the selection of suppliers. Suppliers should be scrutinised before being added to the approved list.

Unless proper scrutiny of suppliers takes place, the organisation can end up into the following situations: purchases from related parties, purchases made from unethical suppliers, purchases of sub-standard goods, purchases from suppliers who have poor track record.

#### Questions

- 3.1 Does your organisation keep a list of potential suppliers for each category of items? Yes  No
- 3.2 Are there written criteria for selecting suppliers? Yes  No
- 3.3 Are there established procedures for adding to or deleting from the list of potential suppliers? Yes  No
- 3.4 Are market surveys regularly undertaken to update staff knowledge of suppliers and prices? Yes  No
- 3.5 Is the performance of suppliers regularly evaluated? Yes  No

- 3.6 Is there a panel for the evaluation of suppliers? Yes  No
- 3.7 Does the panel constitute of persons from different sections? Yes  No
- 3.8 Are evaluations documented? Yes  No
- 3.9 When selecting suppliers from approved list does your organisation ensure rotations of suppliers? Yes  No

*Some of the criteria that can be used for selecting suppliers are: willingness to provide quality, quantity, timely delivery and service, integrity.*

- 3.10 Are suppliers reminded that payment of unauthorised commission to the organisation's staff is illegal and entails the risk of being excluded from the organisation suppliers' list? Yes  No

*One way of informing suppliers is to include a note in all quotations documents and tender notices.*

- 3.11 Does your organisation have a system whereby unsatisfied suppliers can safely report their complaints without being victimised? Yes  No

#### 4.0 Requisitions of goods and services

Procurement planning is important for the effective and timely calling of tenders, award of and delivery of goods and services. Having clear guidelines for the requisitions of goods and services can prevent future problems such as over purchasing, stock out, over-stocking, tying fund unnecessarily, purchasing the wrong quality.

#### Questions

- 4.1 Are there clear guidelines, which establish the following?
- Types of goods to be purchased e.g. quality standard. Yes  No
  - Methods of establishing quantities such as re-order level, re-order quantity. Yes  No

- Purchase plan so as to pool together commonly used items to avoid piecemeal purchases. Yes  No
- Clear instructions as to the documents needed, information to be provided and the level of authorisations required for raising a request. Yes  No
- Information and justifications needed if a requisition officer is to recommend a particular supplier. Yes  No
- That specifications are generic so as to allow maximum competition. Yes  No
- That funds are available before embarking on a purchase. Yes  No

4.2 In case of services, do you ensure that terms of reference are detailed enough and include among others the following?

- Detail of all tasks the supplier must perform and specify coordination requirements. Yes  No
- Data that must be submitted for approval. Yes  No
- All standards that the supplier must fulfil which are applicable for the work. Yes  No
- A detailed list of all data and services, if applicable, which will be provided to the supplier for his use in performing the service. Yes  No

## 5.0 Quotations and Tenders

Competition is the foundation of procurement. It ensures that the organisation gets the best deal through competitive bidding. At the same time quotations and tenders if properly done send a positive message to outsiders on the organisation's value for integrity, fairness and professionalism.

### Questions

5.1 Does the procurement manual clearly set the limits and authorisations needed and procedures to follow under the different procurement methods? Yes  No



***Common procurement methods being: Direct purchase, quotation, selected tendering and open tendering by public advertisement either locally or international.***

- 5.2 Do you ensure that you are complying with the Central Tender Board Act and other requirements? Yes  No
- 5.3 Whether exceptional cases where your organisation would depart from normal competitive bidding and tendering have clearly been defined and if so whose authority should be obtained? Yes  No
- 5.4 Does the organisation provide standard documents for the calling of Quotations and Tenders? Yes  No
- 5.5 Does your manual of procedures provide for the minimum number of quotations that should be called for? Yes  No
- 5.6 Do instructions to bidders include all information necessary to prepare responsive bids, such as eligibility requirements, language and currency of bid, the source and date of the exchange rate to be used and validity of the offer? Yes  No
- 5.7 Does your organisation ensure that enough time is provided to suppliers for returning their quotations/tenders? Yes  No
- 5.8 Does invitation to bid state the deadline and place for the receipt of bids and the opening of bids? Yes  No
- 5.9 Does instruction to bidders clearly explain evaluation criteria and the points to be allocated to each criterion? Yes  No
- 5.10 Are quotations/tenders issued by registered delivery? Yes  No
- 5.11 Is a register kept for recording all information on tenders? Yes  No
- 5.12 Are bidders required to provide appropriate security with their bids? Yes  No
- 5.13 Do your organisation keep records of the following?
- (i) All public advertisements Yes  No
  - (ii) Pre-qualification documents and evaluation reports Yes  No
  - (iii) Bidding documents Yes  No
  - (iv) Report of any pre-bid meetings Yes  No

## 6.0 Receipt and opening of quotations/tenders

A key element to transparency and fairness is confidentiality of information on bids. So care should be taken that confidential information do not leak, are not changed or manipulated to the advantage of any supplier.

Bids opening at a designated time and place in the presence of all bidders is also acceptable. This reduces the risk that confidential bids will be leaked to others, overlooked, changed or manipulated.

### Questions

- 6.1 In the case of quotations that are received through the mailing system, do you ensure that they are kept secure and confidential before the evaluation process? Yes  No
- 6.2 Are late quotations/tenders rejected? Yes  No
- 6.3 Is a quotation/tender box used for the deposit of tenders? Yes  No
- 6.4 Is the quotation/tender box in a secure place? Yes  No
- 6.5 Does the quotation/tender box have at least two locks and whether keys are kept by different persons? Yes  No
- 6.6 Is deposit in the quotation/tender box done by suppliers' representative? Yes  No
- 6.7 Whether security measures are taken to prevent unauthorised access to tender information prior to opening of tenders? Yes  No
- 6.8 Are late tenders returned unopened? Yes  No
- 6.9 Is the quotation/tender box locked/sealed between the closing and opening times of tenders? Yes  No
- 6.10 Is the quotation/tender box opened by a committee? Yes  No

- 6.11 Are bid openings conducted immediately after the deadline for submission? Yes  No
- 6.12 Are minutes kept at time of opening of tenders and are they signed by all parties at time of opening? Yes  No
- 6.13 Are quoted prices recorded in minutes so as to ensure no future tampering of these documents? Yes  No
- 6.14 Is a tender summary prepared and signed by all members present? Yes  No
- 6.15 Are samples provided clearly marked and kept for future reference or verification? Yes  No
- 6.16 Do you ensure that samples submitted for evaluation do not bear supplier's name? Yes  No
- 6.17 Are quotations securely kept once opened and while they are being evaluated? Yes  No

## 7.0 Evaluation of tenders

Evaluation of bids is a very sensitive step in the procurement process. If care is not taken, information can be distorted at this stage to favour a particular supplier. Every care should be taken to ensure that evaluation is done correctly and fairly.

The basic principles of value for money, fairness, transparency and impartiality should all be present at this stage.

### Questions

- 7.1 Where necessary, are technical and financial evaluations done separately? Yes  No
- 7.2 Whether at time of preparing comparison tables tenders are put on equal footings taking into consideration tax, different options offered. Yes  No
- 7.3 Has your organisation clearly defined the different committees for quotations/tender evaluations? Yes  No
- 7.4 Does your organisation ensure that the different committees comprise of appropriately qualified persons? Yes  No

- 7.5 Do the different committees call for specialist advice when needed? Yes  No
- 7.6 Are samples provided sent for testing where necessary? Yes  No
- 7.7 Do you ensure that evaluations take care of factors other than price? Such factors would include quality of service, maintenance, delivery, warranty period and training.  
Yes  No
- 7.8 Are notes of meetings of evaluation committees kept and are they signed by all members of the evaluation committee? Yes  No
- 7.9 Do bid evaluation reports contain the following details:
- A clear description of the evaluation process. Yes  No
  - The reasons for rejecting any bid as non-responsive. Yes  No
  - How the evaluation criteria were applied. Yes  No
  - How the successful bidder's qualifications were verified. Yes  No
- 7.10 Are justifications given for not accepting the lowest tender? Yes  No
- 7.11 Do you ensure that justifications given are detailed enough and objective? Yes  No
- 7.12 Are bids evaluated solely on the basis of criteria stated in the tender documents?  
Yes  No
- 7.13 Do you ensure that evaluation is completed during the bid validity period? Yes  No
- 7.14 Do you ensure that the recommended supplier is the one with the best evaluated bid?  
Yes  No

***The best evaluated bid is the one which is responsive and with the largest weighted total score.***

- 7.15 Do you keep evidence of final board approval where applicable? Yes  No

## 8.0 Inspection and receipts

Corruption may take place after a contract has been awarded. Consequently, the delivery/performance phase should be given due attention. Inadequate controls at this stage may result in the following either on the part of the supplier or purchaser:

- Failure to enforce quality standards, quantities or other performance standards.
- Diversion of goods for resale or private use.
- Soliciting of gratifications.
- Falsification of quality or standard certificates.
- Over or under invoicing.

### Questions

- 8.1 Does your procurement manual clearly state who should be responsible for verification of goods at time of receipts? Yes  No
- 8.2 Do you ensure that the receiving location is separated from the purchase, issue and store functions? Yes  No
- 8.3 Are goods received verified against purchase order? Yes  No
- 8.4 At time of checking do you ensure the following?
- Correct quantity Yes  No
  - Quality Yes  No
  - Specifications as per letter of award Yes  No
  - Items supplied as per samples provided Yes  No
  - All accessories and spare parts provided Yes  No
  - Manual of procedures in case of equipment Yes  No

- Country of origin as requested Yes  No
- 8.5 Do you keep evidence of the above verifications? Yes  No
- 8.6 Do you have clear procedures for handling discrepancies such as poor quality, short receipt and damaged goods? Yes  No
- 8.7 Do you ensure follow-up in the above cases? Yes  No
- 8.8 Does your system provide for random checks by senior officers? Yes  No
- 8.9 In case of technical items, normally equipment, where expert advice is needed, do you ensure that technical people are present at time of receipt and commissioning? Yes  No
- 8.10 Do all members present at time of commissioning sign the commissioning certificate? Yes  No
- 8.11 Does the commissioning certificate mention whether the equipment has been tested for all the required functions? Yes  No
- 8.12 In case of services, do you ensure that the quality of the service is verified? Yes  No
- 8.13 Do you keep reports for the verification of services? Yes  No

## 9.0 Staffing

Staff often find themselves confronted with ethical dilemma during the course of their work. It is therefore necessary to equip staff with the necessary tools, training and analytical skills so that they can assess alternatives and make the right decision.

### Questions

- 9.1 Do you ensure that staff dealing with procurement, have adequate experiences and skills in materials management and procurement? Yes  No
- 9.2 Do your organisation provide for rotation of staff working in the purchasing unit? Yes  No

- 9.3 Do you have a specific code of ethics to address issues such as acceptance of gifts for staff engaged in procurements? Yes  No
- 9.4 Are officers involved in procurement required to declare any conflict of interest that may arise in a particular purchase? Yes  No
- 9.5 In such a situation does management ensure that the officer is excluded in the procurement process? Yes  No
- 9.6 Are officers involved in procurement informed that they are not allowed to accept gift or any other gratification from suppliers or suppliers' representatives? Yes  No
- 9.7 Are officers involved in procurement aware of the offences and sanctions provided under the Prevention of Corruption Act? Yes  No
- 9.8 Are staff given regular and adequate training? Yes  No

## 10.0 Others

- 10.1 Is procurement subject to internal audit and is the coverage adequate? Yes  No
- 10.2 Do you ensure that the successful tenderer supply a performance bond or effect a deposit for the execution of the contract? Yes  No
- 10.3 Once goods are received and commissioned do you ensure that suppliers are paid on time and in accordance to the agreed payment terms? Yes  No
- 10.4 Where contracts are prepared do you ensure that they are legally in order and cover all commercial and legal issues? Yes  No
- 10.5 Do you ensure that the contract document includes a clause for dealing with penalty and the amount payable in case of default? Yes  No
- 10.6 Do you ensure that contract document includes a clause for dealing with dispute? Yes  No
- 10.7 Does your organisation produce regular procurement reports for management, setting out items purchased, date, selected supplier and amount? Yes  No

## Procurement Ethics

1. Procurement activities should be carried out in a fair and impartial manner giving no preferential treatment to any supplier.
2. Staff involved in procurement should maintain a standard of integrity in all their business relationship and dealing.
3. Staff involved in procurement should ensure that the interest of the organisation is safeguarded by ensuring value for money, fairness, impartiality, transparency, efficiency, accountability, competence and integrity.
4. Staff should neither solicit nor accept gratifications from suppliers or potential suppliers.
5. Procurement staff should disclose any conflict of interest at the earliest possible moment. Management should ensure that these staff are not involved at any stage of the procurement process.
6. Staff should not disclose confidential information on procurement to any person not authorised to receive that information.