



LIMURU DAIRY FARMERS CO-OPERATIVE SOCIETY LTD.

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PROCUREMENT POLICY

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[A] Definitions of words/terms used in the policy

Addendum	<i>additional either instructions or extra materials to a document</i>
Agent	<i>A person who acts for or manages the affairs of another or others in business</i>
Asset	<i>a valuable item or skill-property or goods owned by an institution that have value and can be used or sold to pay or clear debts</i>
Audit	<i>Official examination of accounts, records or operations of an institution</i>
Bids	<i>Offer a price in order to buy</i>
Civil	<i>Of or relating to public or relating to ordinary citizens</i>
Corruption	<i>Acting or willing to act dishonestly or illegally in return for money or personal gain</i>
Committee	<i>Group of people appointed usually from a larger group to deal with a particular matter</i>
Consultant	<i>A person or persons who gives expert advice from a professional point</i>
Disposal	<i>The action of getting rid of goods or assets</i>
Evaluation	<i>An assessment of a situation aimed at arriving at a desirable result from which decisions can be made</i>
Expedite	<i>Help the progress or process move faster</i>
Inducement	<i>Anything or offer that aims at persuading or influencing a persons decision[s] in a manner usually favorable to the one offering</i>
Inventory	<i>A detailed list showing items, stocks</i>
Merit	<i>Worthy or deserving</i>
Nullification	<i>Make an agreement or order lose its legal force or effect</i>
Policy	<i>A plan of action, statement of ideas proposed or adopted by an institution</i>
Procure	<i>Process of obtaining goods, services or works through purchase, hire, lease etc</i>
Quotation	<i>Offer price/estimates in consideration goods, services</i>
Supplier	<i>A person[s] or firm[s] offering supplying goods or services</i>

<i>Stock</i>	<i>Goods available for sale, distribution or use</i>
<i>Tender</i>	<i>Make an offer to supply, deliver, and carry out work at a stated price</i>
<i>Verify</i>	<i>Process of making sure or show the truth, accuracy, justification or confirmation of a stated state of affairs</i>

INTRODUCTION

It is an accepted fact that in service-oriented institutions; the efficiency of operations is closely related to the efficiency of “**materials management**”. Materials management covers the procurement function, the inventory control and supplies activities. In a DAIRY COOP like LIMURU DAIRY FARMERS’ COOP SOCIETY LTD, there is need for timely supply of materials, goods, services, works and other inputs for efficient operation and running of programmes and projects.

Justification

The Limuru Dairy has operated from inception with a clearly defined procurement policy but with the growth and development plus expansion of operations both in area covered and activities. We have successfully reviewed ***Limuru Dairy Procurement Policy***’ to cover the procurement issues to be addressed, not only by the Procurement Division, but also by all the employees of Limuru Dairy who are involved in the procurement of goods and services, either as persons responsible for initiating a purchase requisition or as an actual user of goods at the HQ or its business units.

This Procurement policy is a statement of procedures, guidelines, instructions, rules and regulations to be followed by the organization for the purpose of optimizing the efficiency of procurement, and thereby increase the value for money.

It is important to note that the procurement process should not be a barrier or carefree / loose as to hinder the performance of Limuru Dairy in relation to purchase and acquisition of goods, services and works.

Citation

These rules may be cited as Limuru Dairy procurement policy (herein referred to as ‘Limuru Dairy procurement policy’ to regulate and outline the processes and procedures to be followed by Limuru Dairy in carrying out the procurement and disposal of goods, services & works function

Definition

Procurement is the process of acquisition and delivery of the required Goods and services, by purchase, lease, hire purchase, license, tenancy, franchise or by any other contractual means of any type of works, assets, services or goods in any combination.

General Objective of Procurement.

The objective of procurement is providing the right quality of goods and services, in the right quantities, from the right sources, at the right prices and at the right time.

Specific Objectives of Limuru Dairy Procurement Policy.

- a) Spell out standard procurement practices and procedures
- b) Provide easily understood advice, guidance and operation instructions on all matters relating to procurement of goods, services and works within the Limuru Dairy

- c) Specify duties and responsibilities of Limuru Dairy personnel involved in the procurement process.
- d) Introduce procurement guidelines applicable to Limuru Dairy as both as a community based Institution and an Organization guided, bound and regulated by various laws and rules from relevant government agencies.
- e) Facilitate harmonious interaction of the procurement Division with other Divisions both at the Headquarters and Business units.
- f) Facilitate efficient accountability of funds availed for acquisition of Goods and Services.
- g) Inculcate a professional approach to procurement with the view to obtaining best value for money.
- h) Act as a basic training tool in procurement, for Limuru Dairy employees/officials, and a reference document for persons involved in making procurement decisions within Limuru Dairy Facilitate ease of monitoring and the audit within Limuru Dairy.

Scope of application

This guideline will apply to Limuru Dairy Farmers cooperative society in carrying out a procurement function so as to ensure that procurement of goods works and services is done in the most effective, transparent, competent and cost effective way.

Deviation

Any deviation from the guide will require clear documented reasons and the alternate method(s) used are:

- Public procurement and assets disposal act • World bank procurement guidelines
- Other donor procurement policies.

ANNUAL PROCUREMENT FORECASTING.

Procurement planning is an essential part of procurement function. This is important for making effective and pro-active decisions on the procurement process. The procurement plan is aligned to the strategic plan and annual budget proposals. The plan shall capture all requirements within the year of the various departments where the procurement timelines are indicated and the methods are clearly defined. The consolidated procurement plan shall be prepared for the following year by October of each year and forwarded to the procurement committee for review and approval.

PROCUREMENT ADMINISTRATION

Limuru Dairy has proper structures to oversee and ensure the procurement function is properly administered. They entail administrative structures at both the operational level [staff] and governance level [Board] which are:

- Board Procurement committee
- Procurement department
- Ad hoc procurement committees. (Opening, evaluation, Inspection and acceptance committees)

PROCUREMENT ADMINISTRATION:

To ensure effective procurement management, the DAIRY COOP will establish a robust structure to oversee and administer the procurement function. This structure will encompass both operational and governance levels.

The Procurement Department:

The Procurement Department plays a crucial role in ensuring smooth operations, centralization, as well as responsibility and accountability in the procurement process. It is proposed that this function be managed by a dedicated procurement committee, which will be responsible for the following duties:

Role of the Procurement Officer

- Developing timely procurement plans, reviewing existing procedures, supervising the daily procurement function, establishing and maintaining reporting systems, and coordinating efforts with consultants, contractors, suppliers, and LIMURU DFCS LTD. officials to monitor the progress of procurement activities
- Preparation and advertisement of TORs, tender and contract documents according to Limuru Dairy procurement policy.
- Participation in the procurement tender committee meetings and assisting in preparation of committee reports.
- Maintain accurate and up to date procurement records.
- Analysis of monthly procurement requests from all departments.
- Providing guidance to the Board to ensure efficient procurement systems are in place and followed
- Taking responsibility for the procurement functions within LIMURU DFCS LTD. and establishing procurement procedures and regulations that are acceptable to the management and compliant with government guidelines and regulations.
- Working closely with the Finance Department of LIMURU DFCS LTD. regarding budgeting, ordering or contracting, and payments to suppliers.
- Preparing bidding documents, drafting evaluation reports in collaboration with the evaluation team, and preparing recommendations for contract awards. These recommendations will be reviewed by the Procurement Committee and presented to the Board for approval.
- Overseeing the maintenance of all assets owned by LIMURU DFCS LTD., including buildings and other facilities.

PROCUREMENT COMMITTEE:

The procurement committee will function as an ad hoc committee, and its composition and mandate, along with the applicable financial limits.

The Procurement Committee should convene whenever a procurement process is underway, with a minimum of three (3) and a maximum of nine (9) members, depending on the specific needs and technical nature of the goods or services being procured.

Composition of the Tender and Procurement Committee:

The Tender and Procurement Committee will consist of the following members:

- a) Chairman of the sub-committee
- b) Minimum of 2 other board members

- c) Procurement Officer - Secretary
- d) Heads of the departments (as required)

Decisions within the committee will be made by a simple majority vote, and a minimum of three members, including the chairman of the sub-committee, must be present to constitute a quorum. It should be noted that membership in the committee is not permanent unless a member possesses specific technical knowledge essential to the committee. The committee is free to coopt additional members or summon individuals whose contributions are deemed necessary.

Duties and Responsibilities.

The procurement committee is responsible for:

- Reviewing and Approving of procurement plans
- Awarding contracts
- Reviewing tender documents
- Awarding contracts for renting, hiring, letting or sub-letting of buildings and other facilities
- Evaluating and recommending for award bids through open tender for sale of surplus, obsolete or unserviceable stores.
- Verifying variations of contract conditions and features.

Conflict of Interest

A conflict of interest occurs when a person has a personal interest that could influence their ability to make impartial decisions. Examples of conflicts of interest include:

- A person who is related to a supplier is involved in the procurement process.
- A person who has a financial interest in a supplier is involved in the procurement process.
- A person who has previously worked for a supplier is involved in the procurement process.

Guarding Against Conflicts of Interest

Procurement committee members must disclose any potential conflicts of interest to the procurement committee. Members must also recuse themselves from procurement decisions when they have a conflict of interest. The procurement committee must take steps to guard against conflicts of interest. These steps may include:

- Requiring Members to disclose potential conflicts of interest
- Requiring Members to recuse themselves from procurement decisions when they have a conflict of interest
- Rotating Members between procurement and other departments
- Training Members on conflict of interest issues

PROCUREMENT METHODS

The following procurement methods may be used by Limuru Dairy.

- Open tendering: This is the most open and transparent method of procurement. All suppliers are invited to submit bids, and the lowest bidder is awarded the contract.
- Restricted tendering: This method is used when it is not feasible to invite all suppliers to bid. For example, if the goods or services being procured are specialized or if there are only a few qualified suppliers.
- Direct procurement: This method is used for:

1. low-cost items or for repeat orders from prequalified suppliers
 2. Where only one supplier exists
 3. In cases of urgency.
- Request for proposals: This method is used when the procuring entity is seeking information or advice from suppliers. For example, if the procuring entity is considering a new product or for price comparison.
 - Request for quotations: This method is used to obtain quotes from suppliers. The method involves comparing prices of quotations obtained from several suppliers, usually at least 3 to ensure competitive prices.

Financial Ceilings for Procurement

Limuru Dairy shall be required to adhere to the following financial ceilings in effecting our procurements:

1. Goods and services which do not exceed Ksh. 5,000 (five thousand), in any one financial year, in value shall be procured without written quotations or agreement – off the shelf. However, the items must be received and issued and all transactions entered in the store's ledger or register.
2. Goods and services costing up to Ksh.50,000 (fifty thousand) in any one financial year shall be procured through quotations in consultation with the procurement Officer provided the following is observed:
 - a. To enhance competition in bidding, as many quotations as possible should be invited and a minimum of three competitive quotations be obtained from reputable firms and in cases where it is not possible to obtain three quotations due to lack of relevant vendors, it must be so indicated.
 - b. Repeat orders of the goods or services concerned will not exceed the cost of Ksh.50,000/= in any one financial year.
3. The procurement of goods and services in excess of Kshs. 100,000 (one hundred thousand) and up to Ksh.5,000,000 (five million) shall be by invitation of quotations from qualified suppliers
4. Goods estimated to cost more than Kshs. 5,000,000 (five million) per single item in any one financial year shall be procured through open tender or restricted tender.

Adjudication of the quotations and tenders shall be done by not less than five (5) members. Requests for quotations for goods and services worth between Kshs. 50,000 (fifty thousand) and above, in any one financial year, to be adjudicated by the procurement subcommittee and observe the following:

- i. The quotations /tenders will be opened by three members
- ii. Evaluation of the offers / bids will be undertaken in order to come up with a price comparison schedule for deliberation and adjudication by the procurement subcommittee.
- iii. After the evaluation exercise, the procurement sub-committee will make a decision and award to the most responsive bidder.

Other factors to consider.

- Nature of goods ,services and works to be procured.
- Urgency of the procurement in question.
- Availability of goods in the market
- Capacity of the supplier to supply the required quantities and quality.
- Market conditions and expected competition

Limuru Dairy can consider using direct procurement in case any of the above factors are constraining other procurement methods.

THE PROCUREMENT PROCESS

The procurement process is a series of steps that must be followed in order to acquire goods works and services at Limuru Dairy. The process may vary depending on the source and nature of the goods or services, but the following are the general steps involved:

1. Procurement plan - The procurement process is guided by the preparation of an annual procurement plan which details goods, services and works to be procured in the financial year.
2. User Request - The procurement process is initiated by the receipt of user requirements, which are the specifications for the goods or services that are needed. The requirements should be as detailed as possible, including the quantity, quality, and delivery date of the goods or services.
3. Assessment by Head of Department - Once the user requirements have been received, the next step is for the Head of Department to assess the requirements and determine if they are valid. If the requirements are valid, the Head of Department will raise a requisition form.
4. Assessment by Procurement Officer - The Procurement Officer will then assess the requisition form and determine the method of procurement to use.
5. Approval by Head of Finance - The Head of Finance will then review the requisition and approve it if the funds are available.
6. Preparation of RFQ, tender documents LPO
7. Approval by Manager - The Manager will then review the RFQ or LPO and approve it if they are satisfied with the terms and conditions.
8. Advertising the RFQ/Tender
9. Tender closing and opening of the bids
10. Tender evaluation
11. Review by board procurement committee
12. Award of Contract
13. Contract Administration - The Procurement Officer will then be responsible for administering the contract and ensuring that the supplier meets the terms and conditions of the agreement.

TERMINATION OF PROCUREMENT PROCEEDINGS

Limuru Dairy may at any time terminate a procurement process without entering into contract and give prompt notice of the termination to each person who submitted a tender proposal quotation or in direct procurement all those engaged in negotiations.

Such termination may be occasioned by any of the following:-

- a) Nonperformance by the contractor
- b) Breach of contract
- c) Changed circumstances
- d) Government policies

ANNUAL PROCUREMENT ESTIMATES

It is useful to indicate the possible source of supply, particularly, if goods are of a specialized nature. At the end of each financial year [Budget preparation], business units and departments, will submit to procurement officer, the estimated annual material requirements, to be incorporated in the annual financial plan for the following year.

DEVELOPMENT OF SPECIFICATION & DETAILS

The procurement section will develop specifications in close consultation with the users and the technical personnel. description of goods or services to a level that will elicit positive response from suppliers. It involves physical description of goods and their performance requirement.

- a) Physical/inherent characteristics of the required items.
- b) Performance requirement of the item i.e., the intended use of the item. Limuru Dairy will always source goods from prequalified authorized dealers unless otherwise agreed by the procurement committee.

INVITATION FOR BIDS/QUOTATIONS

The Procurement Section will recommend the method of procurement for the required items, depending on quantities, costs and past buys whether the sourcing shall be through competitive bidding or direct purchase. This will determine the nature of inquiry to be used for purposes of obtaining suppliers' offers. An inquiry can be in the following forms;

- a) **In the case of local purchase:** A simple letter of invitation addressed to a set of prospective local suppliers, giving the specifications of the materials required, the unit and quantity required, place of delivery etc., and requesting the suppliers to quote the best price.
- b) **In the case of Competitive bidding:** Advertisement in local and International media as the case may be.

Safeguarding the process

- a) No tenderer should make any unsolicited communications to Limuru Dairy or its agents that might be construed as an attempt to influence the evaluation and comparison of tenders, proposals or quotations.
- b) Limuru Dairy will ensure tenders are not either split or inflated to benefit the suppliers as this will increase costs of the process.

Corruption, Inducements over procurement

Limuru Dairy will discourage any attempts at influencing the process by any means such as [not limited to]

- I. Divulging or soliciting for information, details, specifications, expectations, budgets or any information that may give the tenderer an advantage over the other candidates
- II. Receiving, accepting or soliciting for anything as an inducement with a view to influence the outcome of the tender
- III. Withholding any information, knowledge or specifications about the candidate[s] with a view of influencing the tender process
- IV. Inflation of price or cost to make it higher than otherwise for personal gain or otherwise
- V. Any attempts at collusion in submission of tenders or otherwise in a bid to influence the outcome

Voiding/nullification

Limuru Dairy reserves the right to void and nullify any contracts, orders or acquisitions at any stage before delivery where it finds **sufficient evidence** to prove that the process was unduly influenced or the outcome of the process was based on any misrepresentation of facts or any other grounds sufficient to warrant such action

The prequalification process

- a) **Invitation to tender-** Limuru Dairy shall prepare and solicit for tenders giving clear information on the following:
 - Name and address of the Limuru Dairy as the procuring entity however based on circumstances and needs the Limuru Dairy may opt not to provide the same
 - Tender number assigned to the specific proceedings

- A brief description of goods, works or services being procured including time limit for delivery or completion
- b) Explanation on how to obtain the tender documents including the amounts of any fee
- c) Instructions as to where and when tenders must be submitted and where and when tenders will be opened plus whether those tendering will be present during opening.

Tender Documents

Limuru Dairy shall prepare tender documents that should contain enough information to allow fair competition among those submitting tenders. The documents shall also set out the following: -

- a) Specific requirements for goods, works or services being procured and the time limit for delivery or completion
- b) In case of works, relevant drawings and bills of quantities
- c) General and specific conditions to which the contract will be subject including any requirement for performance security
- d) Tender number assigned to the specific proceedings
- e) Forms for tenders
- f) Expected number of copies to be submitted with the original
- g) Any requirement for security to be provided, the form and amount of any such security
- h) Any requirements for proof of qualifications of person or entity submitting the tender
- i) The closing and the opening dates must be stated in the tender documents.

Modifications to tender documents

May be done by adding an addendum within the following context:

- a) If the deadline for submission of the tenders has not lapsed
- b) By the initiative of Limuru Dairy or as a response to an inquiry or clarification
- c) Limuru Dairy shall promptly provide a copy of the addendum to all the parties that will have submitted the tender officially making the addendum part of the tender document.

Tender security

Limuru Dairy may from time to time ask for tender security and determine the form and/ or amount it will be. Tender security will be forfeited if:

- a) The tenderer withdraws the tender after the deadline for submitting tenders but before expiry of the period during which the tenders must remain valid
- b) Rejects a correction of an arithmetic error.
- c) Refuses to enter into a written contract.
- d) Fails to furnish Limuru Dairy with any required performance security
- e) Tender security will be released immediately upon:-
 - Termination of procurement proceedings.
 - Determination of the fact that all the submitted tenders are adjudged to be unresponsive.

- A contract for procurement has been entered into.

Submission & Receipt of tenders

- All tenders must be in writing, signed and presented in sealed envelopes
- They will bear the assigned tender number
- All tenders must be received before the deadline for submitting tenders and any tenders submitted after the expiry of the allotted date shall be returned unopened
- All tenders will be placed in a tender box which shall be placed in an open and accessible place-tenders sent by courier or post must be dropped into the tender box by the procurement staff or any other designated person immediately upon receipt.
- If a tender is inadvertently opened upon receipt, such opening must be recorded on the envelope by the person who opened it before placing it in the tender box
- If a tender document is too big to be placed in the tender box, Limuru Dairy will set out requirements for receipt and securing of the same till date of opening

Changes to tenders

- Tenders may be withdrawn in writing before deadline for submission
- No changes/ alterations on substance of the tender will be accepted after expiry of period of submitting the tenders
- Limuru Dairy will equally not attempt to alter the substance of the tender once the deadline for submitting has elapsed.

Opening of tenders

- Limuru Dairy will have a tender committee in place to carry out the opening process.
- Immediately after elapse of the deadline all received tenders will be opened
- Those submitting tenders or representatives may attend
- All opened tenders shall be each assigned an identification number

During tender opening the following should be done

- Open a tender register
- Records name[s] of all submitting tenders
- Note all individually quoted prices [Total] including any changes or discounts offered before expiry of submitting period
- If applicable offered tender security
- At opening Members of the tender committee shall:
 - sign each tender more than one pages as determined by the whole committee
 - Initial in each tender against the quoted price, modification or discount
 - Upon completion prepare tender opening minutes showing clear records of all submitting entities, their offers and any other details these minutes will be signed by all tender committee members present.

Extension, Clarifications/corrections & responsiveness of tenders

- a) Before expiry of the period during which tenders must remain valid Limuru Dairy may extend the period and give notice of such extension to all submitting entities
- b) Limuru Dairy is at liberty to seek clarification[s] to assist in evaluation & comparison of tenders as long as it does not change the substance of the tender
- c) Limuru Dairy may correct an arithmetic error in the tender and give prompt notification to the submitting entity where if the submitting entity rejects such a correction, then the tender will be rejected in total and security forfeited
- d) A tender will be adjudged to be responsive if it meets all the set conditions- however minor deviations, errors and oversights that do not materially depart from the requirements set out can be corrected without affecting the substance of the tender.
- e) If Limuru Dairy determines that all submitted tenders are nonresponsive then all the submitting entities will be notified

EVALUATION

After receiving the bids the procurement committee shall evaluate and the process must be such that it allows for competent and transparent evaluation.

Evaluation Criteria

The evaluation criteria must be clearly spelt out at the time of issue of Inquiry/Bidding Documents. Bids arising out of the Inquiry are evaluated, and the most competitive bid recommended for award of contract. The following Evaluation Criteria will be used:

- a) Compliance to general conditions of inquiry, i.e., delivery, terms of payments etc.
- b) Compliance to technical Specifications
- c) Price offered
- d) Proven legal capacity to enter into a contract
- e) Proven qualifications, capability, experience, resources, equipment and facilities to provide what is being procured
- f) That the person[s] are not insolvent in receivership, bankrupt or in the process of being wound up and is not subject of proceedings relating to the foregoing.

Merit points system

Alternatively, the merit point system for weighing evaluation factors can be applied, to get the best supplier. Evaluation factors are outlined and awarded points out of a total of 100. The bid scoring the highest total of points is deemed to be the most economic. An example of this merit point system for evaluation is as follows:- •

Mandatory requirements – x points

- Technical evaluation - x points
- Financial evaluation - x points
- Total points =100points

Evaluation report

An evaluation report is prepared and forwarded to the procurement committee. The report shall contain:

- The names of the members, the dates and the record
- The names of all the bidders, quoted amounts
- The evaluation analysis
- The recommendations
- Names of the top two recommended bidders.
- Reason for dissent if any.

The report should be signed by all the evaluation committee members.

Notification of award of contract

After securing approval, a notification of award of contract is made to the successful bidder in the following manner:

- a) Local Purchase Order (LPO) for local purchase and “Off-the-shelf” purchase
- b) A letter of award is issued to the successful bidders and regret letters to unsuccessful bidders.
- c) seven days stand-still after award is observed to allow for grievance redress mechanism.
- d) A formal contract is drawn up for procurement of goods, works and services and signed by both parties.

Performance bond

The performance Bond Guarantee of between 10 – 20% of the contract sum, in the prescribed form, together with a bank guarantee for advance payment, if applicable, is obtained. A proforma invoice is issued by the supplier. The contract must be signed at this point by the authorized representative of LIMURU DFCS LTD. as the Purchaser and the authorized representative of the Supplier and must be witnessed by persons from both sides.

Validity period.

After completion a 28 days validity period shall be observed in case of any eventualities before discharging the performance bond.

Grievance redress mechanism

Limuru Dairy will;

- A. Inform all the bidders regarding the outcome of the tender, and
- B. Wait for 7 working days to receive any reaction /comments from the bidders. If no comments or complaints are received during the 7 working days, the contract can be signed between Limuru Dairy and the winning bidder. If genuine complaint(s) are received then: The manager will appoint a three-person Grievance redress committee composed of members of the procurement committee who were not involved in evaluation to:
 - Review the grievance(s) and establish their veracity
 - The committee will complete its review within 3 days and Make recommendations to the manager as appertains the corrective measures to be employed.

- The Manager will forward the report with his input, to the procurement committee within 5 days for review and moderation.

Contracting

Formal contracts/agreements shall be entered into with suppliers, format of which will be based on the legal covenants governing Sale of Goods in Kenya, to be signed by the authorized representatives of both the parties. Additional documents, as applicable, e.g., Performance Guarantee as well as Advance payment Guarantee, should the supplier require advance payment, will also be processed. Payment terms and delivery dates will be part of the contract. In the case of local supplies, Local Purchase Orders are processed, in the prescribed format, in favour of the supplier. As an accepted common practice in Kenya, a proforma Invoice or quotation from the suppliers, accepted and confirmed in the form of a LPO from the purchaser linked to the quotation, is treated as a binding contract.

Expediting

Orders are followed up to ensure adherence to agreed delivery schedules. It involves reminders to suppliers for advice Notes, amendments to contracts where applicable and monitoring progress of the order generally.

Amendments to contracts

It is important to minimize amendments to the contracts for local orders the seller must acknowledge receipt of Local purchase Order that indicates the delivery terms.

VERIFICATION OF GOODS, WORKS AND SERVICES

Upon delivery to the specified location/destination they must be verified. Verification of Goods will involve:

- i. Appointment of an ad hoc inspection and acceptance committee
- ii. Reconciliation of quantities appearing on invoice and delivery note, with the quantities as per LPO/Contract of the supplier, forming a part of the bid document.
- iii. Assessment of quality of goods, packaging, labelling and checking goods against the specification given in the bidding document.

Acceptance and receiving of goods

If goods are found to be in good order and as per contract terms, an Acceptance Certificate is issued. Suppliers Invoice are endorsed by the procurement officer and passed to the Finance Division for payment. On contract completion, the Performance Bond is returned to supplier.

Rejection of Goods

Goods that do not conform to specifications or are unsuitable for use are rejected and returned to the supplier. A material Rejection Memo in form of goods return note is prepared and the supplier shall acknowledge receipt of the rejected goods and upon where the supplier should issue a credit note to Limuru dairy.

Insurance Claims

Where goods were under an insurance cover and on receipt, they are found to be damaged or short landed, an Insurance Assessor must be called in along with the Supplier's Agent to inspect the damage or shortage and have the intended claim verified. The intent to claim must be communicated to the Insurance Company and supplier immediately for indemnification.

Payment

For local purchases, the supplier submits an Invoice and copy of the signed Delivery Note to the procurement officer. These documents are endorsed and passed on to Finance Division for Payment. Other enclosures include copy of Local purchase Order or contract.

DISPUTES RESOLUTION

All procurement contracts must equally state the methods and procedures of resolving any arising disputes in the procurement process. The following can constitute grounds of dispute;

- i. Quality of goods, services or works
- ii. Delivery dates, time & specified point
- iii. Variations of either quantities or price iv. Deviation from specifics in the LPO or LSO without due approval of the purchaser [commodity, brand or type].
- v. Unforeseen extra costs of delivery

PROCUREMENT/PURCHASE REGISTER/DATABASE

A register for purchases is maintained in the procurement Division to incorporate the following:

- A. Serial number and date of entry
- B. Number, Date and value of LPO
- C. Goods description and Quantity
- D. Name of the Supplier
- E. Invoice No: date and amount
- F. Date of receipt of Goods
- G. Payment Details
- H. Date and details of dispatch of goods to the business units/ departments or users.

ACCOUNTABILITY

All documents relating to the procurement of Goods must be kept safely for purposes of Accountability. They include Requisitions, quotations, LPO, LSOs, Proforma, approvals, Contract, Invoice and Delivery Note duly signed by Procurement Division, when payment is made to supplier a copy of the receipt shall be kept by Finance Division.

SUPPLIER EVALUATION

The performance of the supplier must be evaluated in respect to general contract terms, delivery, after sales service etc. This is important as a reference guide, for future

business transactions. The other option is to create a suppliers database and maintain a supplier's history card including price, delivery, performance etc.

PROCUREMENT OF CIVIL ENGINEERING WORKS

- i. Requisitions for civil works must be forwarded to board procurement committee through the procurement officer and reviewed by the manager.
- ii. The Procurement Committee will review and approve the proposed works depending on availability of funds in the approved budget.
- iii. The contractors and consultants will be procured through the normal procurement process and approved by the board.

Works administration

The manager Liaises with the appointed Architect or Civil Consultants and ensures preparation of designs, working drawings and specifications, and bidding documents. The project manager together with the architect and consultants monitors the work of the contractors during the implementation of the works and validates the measurement of work-in-progress and certifies the interim payment certificates to facilitate payments to contractors.

Works management Responsibility

The Procurement Committee reporting to the Board is responsible in oversight of all works for Limuru Dairy.

Civil Works Guidelines

Procurement of Civil Works is governed by the following guidelines, as applicable from time to time. This generally includes any one of the following methods of procurement;

- A. Force account – use of own labour or local labour for execution of works.
- B. Request for Quotations(RFQ) from at least three reputable contractors for work estimated to cost not more than Kshs. 500,000.00/=
- C. Open and International tender (Standard Bidding Documents for Procurement of Works) – this applies to works above Kshs. 500,000.00/=

PROCUREMENT OF CONSULTANCIES

Limuru Dairy may engage services of consultants in various fields or disciplines. Limuru Dairy through the Manager is responsible for the recruitment/appointment of the Consultants. Consultancy contracts are generally classified into the following categories: -

- A. Short Term - For specific tasks with definable time frame
- B. Long Term - For perpetual tasks

Responsibility for selection of consultants

The Procurement officer is responsible for compliance with the selection process of the Consultants in close collaboration with the relevant Technical departments, for

preparation of Terms of Reference, Scope of Work and Evaluation. The procurement office is also responsible for preparation of a shortlist of consultants, definition of the evaluation criteria, drafting of contract, issue of Letters of Invitation, receiving the bids for technical offer and financial offer, negotiation and preparation of final contract. The presented recommendation is subject to approval by the board.

PROCUREMENT RECORDS

Records are very important for effective management of the procurement activities, particularly to maintain a close follow up on the progress of delivery of goods, works and services. Every supply contract has an identification number and its own folder to file all letters/documents relating to the contract.

Computerization of Records & Other records

Computerization of procurement data, using master files or databases enables safe storage of vast volume of information and ensures efficient retrieval of data and is therefore a better method of keeping records. The ERP captures Procurement process and Records.

Other records

Apart from procurement records already mentioned, the following records are maintained by the Procurement Section.

- A. Suppliers'/Contractors/Consultants register – to provide details of address telephone contact, particulars of potential goods, services and works to be provided.
- B. Suppliers'/Contractors/Consultants Ratings – to provide historical supplier performance assessment relating to price, quality, delivery terms etc.
- C. Record of Items Purchased – to provide details of standard specifications of bought items and supplier particulars.
- D. Contract records – All contracts signed by LIMURU DFCS LTD. with various suppliers are recorded and serialized.
- E. Order Registers – These provide a record of all orders placed especially for imported goods, and indicates [Letter of credit] LoC No, particulars of shipment, value of contract, expected date of shipment and arrival, and actual date of shipment and arrival.
- F. Assets Register – To record quantities and value of individual item of asset received and issued to Limuru Dairy.

PROCUREMENT PLANNING

Procurement planning is an essential part of procurement function. This is important for making effective and pro-active decisions on the procurement process. The procurement plan is directly linked to LIMURU DFCS LTD. strategic plan plus annual budget proposals. It is important therefore that requirements of vehicles, Equipment, Civil Works and Consultancies by the branches [if any] are submitted to the procurement section on a timely manner to facilitate compilation of Annual Procurement Plan.

Annual procurement operations/Schedules

Every year, on receipt of annual requirement of inputs from the business units and departments, the procurement Division takes the following measures:

- A. Consolidate requirements
- B. Decide on procurement strategy
- C. Prepare packages for procurement
- D. Decide on procurement methods
- E. Schedule the procurement
- F. Prepare a Gant-chart to represent the plan
- G. Seek approval from the Board for the overall Procurement plan
- H. Interact with the finance section to work out the funds requirement for the procurement plan.

Procurement budget planning

This involves close contact with the Finance department, for the purposes of ensuring availability of adequate funds. Annually, the procurement department must provide the estimated cost of operation based on the procurements plan to the Finance department, preferably indicating the projected expenditure on a quarterly basis.

Lead time (Time Scale)

Lead-time is the period taken to obtain a requirement from the time the need is ascertained to its fulfillment. It includes the following operations.

- a) Preparation of Requisition
- b) Forwarding of Requisition to Procurement
- c) Approval
- d) Preparation of RFQ/RFP, issue of invitation for Bids, Received Bids, Opening of Bids, Evaluation and Approval of Bids by procurement committee and LPO/contract.
- e) Execution of order by supplier
- f) Shipment or transportation of goods
- g) Receipt, Inspection and Storage
- h) Issue of goods to beneficiaries/actual users.

Prequalified suppliers lead time

To enhance efficiency the following will be the set up for direct and local purchases:

- a) Receipt, verification and approval of requisitions - 1 day.
- b) Quotations Sourcing, LPO drawing - 2 days
- c) LPO issue and delivery of goods to depend on goods/services-maximum - 6 days
- d) Acknowledgement of receipt and return records - within 1 day

Total Period will be _____ **10 days** _____

Tender process purchase lead time

Activity	period in days
1. Preparations and Approval of Bidding Documents	

Preparation of specifications	1
Finalization of Bid documents	2
Approval by procurement committee	3
2. Issue of Invitation for Bids	
Advertisement and response	21
3. Receipts of Bids and Evaluation	
Open Bids AND REPORT	1
Evaluation and preparation of Draft Evaluation Report	3
Procurement Committee review	2
Contracting/ Ordering	
Stand still period for grievance redress	7
Notification of Award of contract	1
Release of Bid Bond	3
Receipt of performance Bond	4
Signing of Contract	1
TOTAL	49

Audit

The procurement department shall be audited routinely by Limuru Dairy internal auditors and every year, the procurement records will also be audited as part of the Limuru Dairy. external audit.

Procurement monitoring reports

Procurement Monitoring will be done in accordance with the Limuru Dairy procurement policy guidelines using the following standard reporting formats:

- Contract Expenditure Report - Goods, services and Works
- Procurement Management Report - Goods, services and Works

ASSET MANAGEMENT & DISPOSAL

Overview

Fixed asset management is a major function that will be carried out jointly by the procurement department and the Finance departments, to enhance control and accountability over LIMURU DFCS LTD.'s fixed assets. Limuru Dairy has a substantial investment in fixed assets and it is important to ensure these assets are properly managed and safeguarded. Fixed assets are tangible assets with a defined value or cost, capable of being used over a period of time. It is therefore very important to monitor the use of these assets on a long-term basis. The prime objective of Asset management is to design a system of asset accounting tailored for use in Limuru Dairy to maintain a permanent record of assets purchased.

Financial records and data are designed to maintain the value of fixed assets based on the normal classification or grouping of assets. In the Annual Accounts, one of the important Schedules to be included for the purpose of audit is the schedule of fixed assets.

Asset Accounting is part of Procurement process & management: It is necessary to maintain records of fixed assets, and the cost centers, i.e., business units & departments. In order to monitor the fixed assets, regular reports will be prepared by the individual departments and headquarters. as outlined below:

- I. Quarterly summary of additions to fixed assets – local Purchase: This is prepared by the departments to report the additions to fixed asset. Separate reports are prepared for the individual category of fixed asset. The same report, when consolidated, forms a part of the supporting schedule of fixed assets.
- II. Clearly mark or label the said assets with a serial identification number with details of point of use and year of purchase for ease of monitoring, care and maintenance
- III. Compile a record of any obsolete, unserviceable or surplus store equipment or goods and forward it to the Procurement committee.

Procurement Committee as Disposal Committee

The procurement committee serves as the disposal committee to dispose off any obsolete, unserviceable equipment and goods. This committee will be expected to authenticate the need to dispose off any item or items as per the recommendations and decide on the method of disposal such as: -

- i. Transfer to another entity or part of a public entity with or without financial adjustment
- ii. Donation or give aways
- iii. Sale by public tender subject to a reserve price or otherwise
- iv. Sale by public auction subject to a reserve price or otherwise
- v. Destruction, incineration.
- vi. Trade in

Disposal Process

Limuru dairy will, depending on nature of goods to be disposed, decide on the best method of disposal. It will carefully plan the disposal program of assets based on the following:

- a) Well stipulated depreciation regime
- b) Arising trends and circumstances
- c) Continued usage and applicability of the assets

It will be important to set a clear method of when to dispose certain assets to avoid running them down as to have no resale value. The disposal method will depend on the nature of assets to be disposed at any given instance and the expectation from the exercise.

APPENDIX

PROCUREMENT DOCUMENTS

LIMURU DAIRY FARMERS CO-OP SOCIETY LTD

P.O BOX 8, 00217 LIMURU,
Tel: 0713-833814

REQUISITION

Req No: 15556

Date: 19 Jun 2023

#	DESCRIPTION	QUANTITY
1	starter culture - Culture for yoghurt production	25

Requested By: MARTIN NJAGI WANJERI

Authorised By: _____

Date: _____

Official Stamp

Local Purchase Order



LIMURU DAIRY FARMERS CO-OPERATIVE SOCIETY LTD.

MAZIWA HOUSE, 4TH FLOOR Tel: 020-2010611
P.O. Box 8-00217, LIMURU Cell: 0713-833814

limurudairy@gmail.com
info@limurudairy.co.ke
www.limurudairy.co.ke

LOCAL PURCHASE ORDER

LPO No: 4561

LPO Date: 13 Jun 2023

PO Req:15513

Name And Address of the Supplier

Your Reference:

TO: Topline
Tel:
Email:

Attn : Mr./Ms

Currency: KES

						196,000.00
#	Description	U.O.M	Memo	Quantity	Rate	Amount
1	sugar	Kgs	Sugar for yoghurt processing	1000	196.00	196,000.00
Total Taxable:						
VAT:						0.00
Net Amount:						196,000.00
Amount in Words:- (One Hundred And Ninety Six Thousand KES)						

Prepared By: _____

Date: _____

Signatories

MERCY NJERI NGUGI

Checked By: _____

Date: _____

Chairman: _____

ACCOUNTANT

Authorised By: _____

Date: _____

Treasurer: _____

Official Stamp

Secretary: _____

Goods Received Note

LIMURU DAIRY FARMERS CO-OP SOCIETY LTD

P.O BOX 8, 00217 LIMURU,
Limuru
Tel: 0713-833814

GOODS RECEIVED NOTE

GRN No: 3945

GRN Date: 09 May 2023

LPO No: 4576

Received From:

Feed Mill LDCSL

Tel:

Email:

Your Reference:

#	DESCRIPTION	U.O.M	QUANTITY	RATE	AMOUNT
1	limda Hiyield 70Kgs	Kgs	165	2,350.00	387,750.00
2	Bran 40kgs	Kgs	20	1,090.00	21,800.00
3	MaizeGerm 50kgs	Kgs	123	1,650.00	202,950.00
Amount in Words:- (Six Hundred And Twelve Thousand Five Hundred KES)				Total(KES):	612,500.00

Authorized By: _____

Date: _____

Materials / Goods Rejection Note

Date.....

RefNo.....

LPONo.....

Article No.	Description/Particulars	Condition/Action/reasons	Remarks

Receiving officer

Name.....

Designation.....Signature.....

.....

Supplier or agent

Name.....

Designation/Relation.....Signature.....

.....

PROCUREMENT REPORT FORMAT

Procuring Entity:

Prepared by:

Date of Report:

Designation:

Reporting Quarter:

S/NO	TENDER/ CONTRACT NO.	TENDER PARTICULARS	STATUS	PROCUREMENT METHOD	PRE-QUALIFICATION/ REQUEST FOR EXPRESSION OF INTEREST			INVITATION FOR TENDERS/ PROPOSALS AND APPROVAL FOR AWARD				CONTRACT EXECUTION				
					Invitation Date	Closing/ Opening	tion of Applica	Invitation Date	Closing/ Opening	l for	tion	tor/	Contract	t Amount	Progress Status	Contract
1																
2																
3																

Confirmed and signed by: _____ Accounting Officer/Head of Procuring Entity

