

# Recognition of procurement functions in an organisation essay sample



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## CHAPTER ONE

### 1. 0 INTRODUCTION

Public and Private Sector Organizations are more concerned about pricing policies than any other aspect of their business. Pricing is so important in marketing that it has been singled out as one of the four Ps in marketing. In many case, setting a price poses no problem especially when the organizations products or services is identical to that of its competitor. Rational consumer will not pay a higher price than they know is being charged elsewhere for a product they regard as identical. In such cases, all the organization can do is to follow competitors and hope to keep cost within prices. Pricing policies concerning products or services involve much more and it is directly linked to the profitability of an organization. It requires that everyone participating in the pricing function have full consciousness of the economics of the market place. It also requires the social moral and legal principles being given serious attention. Furthermore, it also needs the establishment of sound objects and carefully planned policies to affect profitability in a positive direction.

The primary objective of any business organization is to survive. In order to achieve this, it must make a profit. Some people believe that all businesses are seeking to make the maximum profit possible. This however, is not always the main goal of an organization. Many businesses are happy to achieve a satisfactory level of profit to keep them in business and provide the owners and the workers with a reasonable standard of living.

### 2. 1 BACKGROUND TO THE STUDY

The Bo-Kenema Power Services is an organization structure which are been

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established by an Act of Parliament. In 1982, the National Power Authority (NPA) is the sole body responsible for generating electricity in all the twelve district headquarter towns. This was made possible by the government subsidizing the cost of fuel for the districts headquarter towns and the services stations. The National Power Authority found it difficult to effectively run these provincial stations when government withdrew its subsidy.

On 1st July, 1991, Bo-Kenema Power Service (BKPS) was established as a semi-autonomous service unit under the National Power Authority and entrusted with the zonal responsibility of generating, transmitting, distributing and sales of electrical energy as to consumers in Bo and Kenema and their environs. This arrangement was done for efficiency and effectiveness in the energy sector. The Bo-Kenema Power Services consists of two generating station. i. A thermal plant financed and constructed by the Danish Government as a gift to the government of Sierra Leone. It has an installed capacity of five mega watts (5mw) in Bo and was commissioned in October, 1987.

ii. A hydro-electric plant at Goma in the Kenema District financed and constructed by the Chinese as a loan to the Sierra Leone government. It had an installed capacity of four mega watts (4mw) and was commissioned in September, 1986. In July 2007, the installed capacity of the Goma Hydro-Electric Plant was increased from four (4) megawatts to six (6) megawatts by the Chinese at the expense of the Sierra Leone Government. The Hydro-Electric Station at Goma was initially commissioned to supply electricity to Kenema, 58 kilo meters away from Goma, through a 33kv high tension transmission line. In 1987, the system was integrated with Thermal Plant in <https://assignbuster.com/recognition-of-procurement-functions-in-an-organisation-essay-sample/>

Bo with further distance of 69 kilo meters from Kenema, via a 33k transmission line. The hydro runs during seven months of the year (June to December) covering the raining season while the Thermal Plant in Bo runs during the remaining five months (January to May) in the dry season. This is to ensure a continuous supply of electricity to both Bo and Kenema. There was an intention to eventually grant complete autonomy to the Bo-Kenema Power Services to generate and supply electricity to Bo and Kenema but this venture did not materialized.

Under the semi-autonomous status, the Bo-Kenema Power Services cannot negotiate nor take decisions on all issues of national policy tariff like charges and the determination of salary scales for workers. These powers are still in the hands of the National Power Authority. However, Bo-Kenema Power Services has control over the day to day operation like generating, transmitting, distributing, sales of electricity, finance, recruitment of staff, maintenance and repair of all machines equipment. In other words, the Bo-Kenema Power Services is self accounting through its annual accounts are incorporated in the National Power Authority's Final Account.

## 2. 2 STATEMENT OF THE PROBLEM

The Public Procurement Act of 2004 established the National Public Procurement Authority (NPPA) which is the regulatory body for all public procurement in the country. The Act also outlines all rules and regulations governing procurement. Most of Anti-Corruption Commission (ACC) cases have hardly been without flouting procurement rules in the charges levied against indictee. And National Power Authority (NPA), for which BKPS is a subsidiary, had its minister quite recently underwent trial for corruption and <https://assignbuster.com/recognition-of-procurement-functions-in-an-organisation-essay-sample/>

procurement inclusive in charges, it is but worthy to evaluate BKPS on this major issue. Hence, findings and recommendations therein could be a guiding principle for management.

## 2. 3 AIMS AND OBJECTIVES OF THE STUDY

i. The primary objective of this study is to assess the procurement functions in Bo-Kenema Power Services (BKPS). ii. Whether Bo-Kenema Power Services (BKPS) is effectively using the procurement functions in its activities. iii. The impacts and challenges of the procurement unit of Bo-Kenema Power Services (BKPS) in discharging its responsibilities.

## 2. 4 SIGNIFICANCE OF THE STUDY

Procurement management is a very big challenging issue to all institutions. Governmental, Non-governmental, private and public sector establishments and public procurement account for more than sixty percent (60%) of public expenditure. This is quite significant amount of money that going to this sector and the Bo-Kenema Power service (BKPS) is very keen in this as a leading service provider of electricity in two major cities (Bo and Kenema). The Bo-Kenema Power Services was chosen because of its socio-economic contribution to the Sierra Leone Economy.

The Bo-Kenema Power Services also contributes to the financial and social sectors of the country and add to government's revenue in the form of tax – income tax, and labour force thereby reducing the level of unemployment, all of which enhance economic growth and development.

## 2. 5 SCOPE AND LIMITATIONS OF THE STUDY

This study is focusing on the procurement unit of Bo-Kenema Power Services  
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(BKPS) and whether it is applying the procurement functions as outlined in the Act 2004 and NPPA Regulations 2006. It will thus be looking at data ranging from 2006 to 2010 inclusive (five years). The selection of this time frame has been done because it gives the most recent study of the topic as reports are given every five years. Also, a dramatic change occurred in terms of pricing within this period.

The study like any other study however, will not be carried out without limitation. One major limitation of this study is the data collection. As the topic is very sensitive thus management and staff may be unwilling to dish out the relevant information in time. We therefore, had to make some assumptions based on unwilling to give certain information. Appointments of data collection were postponed from time to time, which were at times frustrating to our study.

The selection of reference period/time frame for the study is also another limitation of the study. Although five years is a good time frame for study but may be considered again as a limitation since ACC may investigate beyond this period.

Another limitation is that of the unavailability of some financial data because of reasons put forward such as time and confidentiality. Some assumptions however were made as there is no much significance on our study.

## 2. 6 HYPOTHESIS OF THE STUDY

The procurement functions as outlined in the Public Procurement Act 2004 and other rules outlined in the Procurement Regulation set by NPPA – 2006 are recognized in Bo-Kenema Power Service (BKPS).

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## CHAPTER TWO

### 2. 0INTRODUCTION

This chapter is divided into two sections. The first section gives a theoretical literature of advertisement, this include basic concept and discussion on advertisement. The second section is the empirical literature review which takes into account previous studies conducted on advertisement.

### 2. 1THEORETICAL LITERATURE

2. 1. 1DEFINITIONS – Procurement has many definitions by so many contributors. In this chapter, we shall be considering but few of them.

Definition by Chartered Institute of Purchasing and Supply – Australia After much discussion with CIPS Australia members, the following statements were circulated to initiate discussion on an agreed procurement lexicon:

“ Procurement is the business management function that ensures identification, sourcing, access and management of the external resources that an organisation needs or may need to fulfill its strategic objectives”.

Procurement exists to explore supply market opportunities and to implement resourcing strategies that deliver the best possible supply outcome to the organisation, its stakeholders and customers.

Procurement applies the science and art of external resource and supply management through a body of knowledge interpreted by competent practitioners and professionals.

One of the difficulties in defining the term ‘ procurement’ is that it does not deal with a single action or process. Procurement covers the complete range  
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of events from the identification of a need for a good or service through to its disposal or cessation. The term ' procurement' in Australia is very similar to the term ' supply management'.

Definition as in Chartered Institute of Purchasing and Supply (CIPS) Glossary  
“ Procurement describes all those processes concerned with developing and implementing strategies to manage an organisation's spend portfolio in such a way as to contribute to the organisation's overall goals and to maximise the value released and/or minimise the total cost of ownership. Procurement is a more comprehensive term than purchasing, which is more focused on the tactical acquisition of goods and services and the execution of plans rather than the development of strategies”.

Procurement can be a department, a role and/or a process. As a process, procurement begins with the review of the spend portfolio and the development of an opportunity analysis. Once categories are defined, the procurement process involves identifying and engaging with potential stakeholders, defining business needs and preparing a business case. Once the market has been reviewed, a reconciliation of the business need and the supply market character ensures that appropriate procurement strategies are developed. Strategies may involve insourcing, outsourcing, competitive bidding, direct negotiation, and a variety of other sourcing strategies. Once the strategy is developed, the execution will involve market engagement and the issue of the RFI and the RFP and/or negotiation. Once offers are evaluated, the optimum solution will be selected and the appropriate contractual agreement established.



Procurement differs from sourcing in that the procurement process addresses all pre-contract and post-contract processes. Supplier relationship management, performance management and supplier development are key procurement activities to realise the potential value created during the sourcing phase.

Procurement as a full-time role is a specialised job requiring a range of skills and capabilities. Traditional analytical capability is helpful to undertake spend analysis and evaluate offers, but the ability to understand and interact with supply markets is just as important. In terms of interpersonal skills, influencing skills and facilitation skills are just as important as negotiation skills.

As an organisation, procurement structures vary with the culture and structure of the host organisation. Many organisations have a centre-led structure with a small central team setting policy and standards and coordinating activity, which is primarily undertaken in the spending departments. While there are no universally accepted standards, most people agree that vendor management applies to post-award processes (though some vendor managers do manage the end-to-end process apart from market engagement). Similarly, sourcing involves all those processes up to the award of the contract.

In Europe and Asia, the term ' purchasing' is used to describe transactional processes such as raising purchase orders and reconciling invoices.

However, in North America the term ' purchasing' is sometimes used to describe the whole procurement process. The procurement process in North

America usually begins with the review of an organisation's spend portfolio, and the development of appropriate strategies, and proceeds right the way through to the review of procurement arrangements and the disposal of goods at the end of their life. Definition by The Procurement Act (2004) and National Public Procurement Authority (NPPA) Public Procurement Regulation (2006) – Sierra Leone “ procurement” means the acquisition by any contractual means of goods, works, intellectual services or other services. This definition encompasses all and sundry ranging from goods, services, works to consultancies et al.

## 2. 2. 2 THE HISTORY OF PROCUREMENT

Procurement is an old profession, yet it has attracted little attention from historians. Certainly not nearly as much as another profession with the same name and with which it is sometimes confused!

So where does one begin a short history of procurement? What are its origins? Is procurement aligned to the growth of trade, the emergence of large organisations, to the growth of trading blocs or to globalisation?

### Procurement Developments in the Ancient World

There is strong evidence of active trade between China and what were then the city-states of the region we now call Greece nearly 3000 years ago, (according to the Chinese scholar Shen). As the centuries passed, the Silk Road from Asia to Europe provided an important transfer station for products and ideas from China and other Eastern cultures and the emerging societies in Europe. Most had quite sophisticated social networks and this trade was probably linked to the emergence of work specialisation in Greek societies as

agriculture developed into cultivation and animal husbandry. Blainey (2004) suggests that possibly ten percent of the people in this region lived in villages and towns and performed non-agricultural tasks that were assisted by local as well as long distance trade and contracting.

Similarly, more self-sufficient societies also emerged around this time in Egypt and Mesopotamia where the growth of large cities, often of substantial construction, was associated with more sophisticated organisations and societies. Numbering systems, so essential for contracting, finance and risk assessment emerged and were eventually dominated by the decimal system in use to this day. While the machinery of trade and contracting in ancient civilisations is not well recorded, the picture changed with the emergence of Rome.

If we fast forward some 2000 years, we find that Livy, whose writings have long challenged students of Latin, recorded that following the success of the Roman armies in Spain in the summer of 215BC, the army ran short of food, clothing and pay (though probably not wine). The Roman Senate sought to relieve the position by sea, but found that the traders, who had the ships to do the job, also had some risk management policies in place. The limited number of suppliers who came forward not only negotiated over price but also exemption from military service, “ while employed in that public business, [and] their shipments should be made at the state’s risk against attacks of the enemy or storms. On obtaining both their requests, they entered into the contracts, and the affairs of the state were conducted with private funds” (Livy, 15BC: 224).

Whoever thought that outsourcing, public-private partnerships and risk management were new principles? Actually the Romans created some very interesting features for their contracts that we still observe in some way today. But Maine was writing just on 150 years ago. One of the challenges created by the notion of a contract was that, even in Roman times, the issues of contract management and finalisation were a difficulty. Maine records that a sale of goods contract, where the money and the goods were swapped by the parties at the time of the deal, was readily accommodated. But what happened when the delivery of either the goods or the payment was delayed? Maine (1861: 267) says that in these circumstances “ the nexum was artificially prolonged to give time to the debtor”. Thus the term nexum which had originally meant a conveyance (transfer) came to be a ‘ contract’ but with some important essentials: agreement (a ‘ pact’ or ‘ convention’) plus an Obligation.

But wait, there is more to this. Roman contracts, according to Maine (1861: 270), eventually came in four versions:“ the Verbal, the Literal, the Real and the Consensual” each with its own formalities to be completed before the legal obligations were enforceable. By way of simple explanation, the Verbal was a form of spoken agreement, the Literal was a form of written agreement, the Real Contract created legal duties between the parties (enshrining the sense of obligation), while Consensual Contracts comprised four types: Mandatum – what we would call a ‘ commission’ or ‘ agency’  
Societas – what we would call a ‘ partnership’  
Emtio Venditio – our word is a ‘ sale’  
Locatio Conductio – our usage would see this as a ‘ letting’ or ‘ hiring’.

The way these rules translated into our system of contracting was very complex, but the evidence suggests that most of the contractual styles we observe today, and some of the legal difficulties courts have had to adjudicate over the years, existed in Roman times.

#### Medieval Procurement:

##### Some Developments in Europe

Just as the Romans established trade relations with private suppliers, the monarchs of Europe would have also needed such undertakings. For example, after his conquest of the Anglo-Saxons in 1066, William the Conqueror ordered the creation of the Domesday Book to provide a systematised record of land ownership. This complex task enabled the wealth of the nobility to be measured and for a tax system to be created. This form of supplier measurement was doubtless resented at the time but it established a basis for orderly procurement of funds and services by the Crown.

A similar clever manipulation of the supply market was allegedly undertaken by Henry VIII when he insisted that the wine grapes of Britain (once so desired by the Romans a millennium or so earlier) be uprooted and the wine to be procured from France (at least this is one view). The supply market shifted from the green fields of Britain to the fertile soils of France. The wine crossed two national borders on its way to the tables of Britain and it attracted an excise. Excise was a tax that frustrated consumers and suppliers alike, but not the excise collectors themselves who ruthlessly managed this illicit supply chain. Stories about smugglers and other types of

trade across borders have provided a rich history that covers the dark side of procurement.

In France, Marshall Vauban (1633-1707) was a military engineer and a remarkable designer and builder of fortifications for the French monarchy. Vauban's contribution emerged from his insistence on qualification of suppliers whose selection was thus not just left to price.

Again in France, Bernstein (1996: 3) has reported on the birth of probability theory, so valuable for the assessment of risk. We can also see various examples of this in Europe. Gustavus Vasa, King of Sweden, provides us with a terminal example of sixteenth century buyer-supplier relations with his oft-quoted statement (Gadde & Hakansson, 1993: 1)

Britain has been a rich source of historical procurement artefacts, having made good use of some of the most important aspects of procurement including negotiation and bargaining, strategic alliances, competitive pricing and supplier management. For around 150 years, from the start of the sixteenth century, the commercial focus of a period called the Mercantilist era was centred upon the accumulation of gold, the development of shipping (to help develop the British Navy) and a firm focus on the rise of Britain as a nation-state. Economic development was based on a national commercial perspective, supported by parliament.

This became associated with colonial power in the hands of both government and the major corporations of the time such as the East India Company and the Hudson Bay Trading Company. These companies were given monopoly power by Parliament at the expense of individual traders. It is an interesting <https://assignbuster.com/recognition-of-procurement-functions-in-an-organisation-essay-sample/>

aside that the power of the East India Company grew so great that British governments of the late-eighteenth century struggled for economic authority over the Company. For example, there is evidence that the British Government had to gain the Company's approval to create a settlement in New South Wales. However, the Mercantilism economic approach, with its focus on the accumulation of wealth through international competitive advantage, gave way to the combined influences of the increasing power of the middle classes in the Parliament and new economic ideals such as those espoused by Adam Smith.

Despite this rich history, in the twentieth century, status was a problem for purchasing practitioners. As long ago as 1915, Twyford (p. 11) noted that while organisations ignored the importance of purchasing at their peril, there was also "too great a tendency to belittle purchasing and treat it in a negligent and offhand manner". However, the issue of status is gradually diminishing as an issue as enhancements to the function, activities and responsibilities of procurement professionals take hold. Business policy has also changed, particularly in relation to outsourcing; a poorly explored process which is widely practised in public and private sectors.

### The Rise and Rise of Procurement

Until the technological developments of the past 20 years, conventional ideology regarded procurement as the practice-based administrative process of buying the goods and services required to satisfy the functional needs of managers. Rules, regulations, procedures and protocols were typical of the process. Procurement staff stood as financial and operating sentinels

between the managers and their material requirements, centralising the <https://assignbuster.com/recognition-of-procurement-functions-in-an-organisation-essay-sample/>

supply task and creating management control over expenditure.

Procurement was both a powerful and sometimes hated position with its virtual monopoly over acquisition.

Some researchers suggest that the modern evolution of procurement is characterised by the principal business and government requirements of the time. For example, Monczka, Trent and Handfield (2002) suggest that the evolution of procurement can be traced through a number of stages: emergence around the mid- nineteenth century (in their view), through a period of recognition before World War II, rapid increase in sophistication in procurement during that War, followed by a period of quiet gestation. However, in the last 35 years, the profession has moved into a period of major reform in materials management and faced the challenges of globalisation, technological change and the emergence of supply chain management.

By the late 1980s, the demands on procurement processes were shifting and, with it, traditional ideology and methods began to change. Procurement began to be mentioned in terms of a new concept called the supply chain (Oliver & Webber, 1982); and the importance of procurement was also recognised by Michael Porter's notion of the value chain (Porter, 1990). These changes were almost imperceptible until the capacity of computer technology became linked with the revolution in procurement processes. But don't forget these terms were not very new; the notion of the chain, for example, goes back to the Romans!



Then quite suddenly, a routine clerical process operated by “ unglamorous individuals” (Stewart, 1994) and designed to control the purchasing policies adopted by an organisation began to be seen as having different potential. As part of the supply chain, procurement practitioners began to be viewed as initiators within the procurement process. Coupled with developing concepts such as total quality management, customer service, supplier performance management and just-in-time inventory management, imaginative supply managers saw the opportunity to begin to manage their supply chains through the procurement process. So, rather than assuming their segmented role of days gone by, procurement practitioners began to view the entire extended enterprise and to, therefore, strategise with other key business functions to meet organisational objectives and to add value to the acquisition process.

## 2. 2. 3 THE DIFFERENCE BETWEEN PROCUREMENT AND PURCHASES

The terms “ Purchasing” and “ Procurement” are often used, incorrectly, interchangeably. So what is the difference between purchasing and procurement? What does procurement entail and what exactly does purchasing mean. Procurement – To define procurement broadly, “ Procurement” is the overarching function that describes the activities and processes to acquire goods and services. Importantly, and distinct from “ purchasing”, procurement involves the activities involved in establishing fundamental requirements, sourcing activities such as market research and vendor evaluation and negotiation of contracts. It can also include the purchasing activities required to order and receive goods. Procurement describes all those processes concerned with developing and implementing

strategies to manage an organisation's spend portfolio in such a way as to contribute to the organisation's overall goals and to maximise the value released and/or minimise the total cost of ownership.

Procurement is a more comprehensive term than purchasing, which is more focused on the tactical acquisition of goods and services and the execution of plans rather than the development of strategies. Procurement can be a department, a role and/or a process. Procurement differs from sourcing in that the procurement process addresses all pre-contract and post-contract processes. Supplier relationship management, performance management and supplier development are key procurement activities to realise the potential value created during the sourcing phase. As an organisation, procurement structures vary with the culture and structure of the host organisation. Many organisations have a centre-led structure with a small central team setting policy and standards and coordinating activity, which is primarily undertaken in the spending departments.

While there are no universally accepted standards, most people agree that vendor management applies to post-award processes (though some vendor managers do manage the end-to-end process apart from market engagement). Similarly, sourcing involves all those processes up to the award of the contract. In Europe and Asia, the term 'purchasing' is used to describe transactional processes such as raising purchase orders and reconciling invoices. However, in North America the term 'purchasing' is sometimes used to describe the whole procurement process. The

procurement process in North America usually begins with the review of an organisation's spend portfolio, and the development of appropriate

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strategies, and proceeds right the way through to the review of procurement arrangements and the disposal of goods at the end of their life.

**Purchasing** – The term “ Purchasing” refers to the process of ordering and receiving goods and services. It is a subset of the wider procurement process. Generally, purchasing refers to the process involved in ordering goods such as request, approval, creation of a purchase order record (a Purchase Order or P. O.) and the receipting of goods. Purchasing describes all those transactional processes concerned with acquiring goods and services, including payment of invoices. It is a narrower term than procurement, describing reactive, tactical processes. Typically purchasing processes are triggered by the development of a request to purchase by a user. The purchasing process differs from sourcing or procurement in three key aspects: the scope of the process, the degree of influence exerted on the process, and the nature of the choices made. In terms of scope, the purchasing process typically begins after a user has selected the solution, or defined the need, and ends on the receipt of the good or service and payment of the supplier’s account.

In terms of influence, the purchasing process is primarily concerned with selecting the supplier and agreeing the terms, though the acquisition may be made against an existing agreement. In terms of the nature of decisions made, purchasing decisions tend to be focused on individual transactions, and not aligned to the organisation’s overall goals, or to choices with longer-term strategies. There is little consensus on the precise definitions of terms such as ‘ procurement’ and ‘ purchasing’, and in the United States, in particular, the term ‘ purchasing’ describes what in Australia, New Zealand, <https://assignbuster.com/recognition-of-procurement-functions-in-an-organisation-essay-sample/>

Europe and Asia is more widely known as procurement. In a nutshell, procurement is the of identifying and obtaining goods and services. It includes sourcing, purchasing and covers all activities from identifying potential suppliers through to delivery from suppliers to the users/beneficiaries. Purchasing is the specific function associated with the actual buying of goods and services from suppliers; Sourcing on the hand is simply identifying and working with the appropriate suppliers.

## 2. 2. 4 THE PROCESSES OF PROCUREMENT

For every procurement project, a formal and professional procurement process will save time, save money and reduce risk. A formal procurement process is sometime seen as cumbersome or bureaucratic but for any procurement exercise it is important to follow a few key steps. If you are not a procurement expert, you will make mistakes. A procurement process template provides a model and a framework to work within to:

- \* Save you time;
- ensure that you get the right solution to meet your business needs;
- \* Ensure you pay the right price (that's the right price, not necessarily the lowest price!);
- \* Ensure you avoid overlooking vital steps that may come back to haunt you later.
- \* By using a standard procurement process, you will find that suppliers will be familiar with the steps you take. They will know what to expect and will know that they are dealing with a professional organization.

Every project is different. Some procurement projects are small and every step of a formal process may not be required. Alternatively, some projects are highly complex or regulated and a generic framework will not be appropriate or sufficient. Despite this, every procurement project follows the

same broad process . The key thing to remember is to adapt the process to fit the project

The procurement process can be divided into five steps.

#### Define the Business Need

You need to understand what the fundamental business requirement is. At this point, it is important to understand the difference between a requirement and a solution. For example, the business requirement is to source some software to help to get information published on the company intranet. An item of software to publish information on the company intranet is a solution – not a requirement. The requirement is to be able to publish information on the intranet. It may be that an outsourced solution is a better option. Develop the Procurement Strategy

Depending on the scale of your project, there could be a very wide range of potential solutions and approaches to your business need and a number of ways of researching the market and selecting a supplier. Supplier Selection and Evaluation

After researching the market and establishing your procurement approach, you need to evaluate the solutions available. This may involve a formal tender process or an on-line auction. Your criteria for comparing different solutions and suppliers are critical. Weight the key criteria heavily and don't attach too much importance to aspects that will have little impact on the solution. Negotiation and Awarding of Contract.

Even when you have selected a supplier it is important that detailed negotiations are undertaken. This is not just about price. Think in terms of Total Cost of Ownership. A cheap product is not so cheap if the carriage costs are huge or if the maintenance contract is onerous. Consider carefully the process by which the goods or services will be ordered and approved; how they will be delivered and returned if necessary; how the invoice process will work and on what terms payment will be made. Considering the whole Purchase to Pay process (P2P) at the outset can reduce costs and risk significantly

### Induction and Integration

No goods or services should be ordered or delivered until the contract is signed, but this is not the end. It is vital that the supplier is properly launched and integrated. The P2P process needs to be in place and needs to be understood on both the buy-side and the supplier side. Any service levels that have been agreed need to be measured and KPIs put in place. Regular reviews should be established.

## 2. 2. 5 COMMON FEATURES OF PUBLIC PROCUREMENT

The process for all public procurement has common features. These are as follows:

- \* Contract documents
- \* Publication of a contract notice
- \* Voluntary ex ante transparency
- \* Communication
- \* Consideration of tenders
- \* Referring to the ability of another party
- \* Information on award decisions

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- \* Information at the request of a supplier
- \* Documentation
- \* Transparency and secrecy
- \* Design contests

## 2. 2. 6SPECIAL PROVISIONS IN NPPA PROCUREMENT REGULATION

### 13. Procurement Committees

(1) In addition to the structure and functions specified in section 18 of the Law, Procurement Committees shall conduct any other functions specified in this regulation.

(2) Subject to approval by the NPPA, Procurement Committees may establish subsidiary procurement committees in district offices of the procuring entity. Such subsidiary procurement committees may be subject to limited thresholds and levels of authority to be established by the procuring entity in accordance with regulation 10.

### 14. Approvals by Procurement Committees

(1) In considering submissions made by the Procurement Unit, the Procurement Committee may:

- (a) approve a submission;
- (b) reject a submission with reasons; or
- (c) approve a submission, subject to clarifications or minor amendments.

(2) The Procurement Committee shall not:

(a) Perform any major modification on a submission, including, in particular recommendations for contract award; or

(b) reject any submission without good and justifiable reason.

(3) The Procurement Committee shall provide explanation and justification of its reasons for any rejection to assist the Procurement Unit in remedying any defects in the submission prior to re-submission to the Procurement Committee.

(4) All decisions of a Procurement Committee, including reasons for any rejections, shall be recorded in minutes and notified to the Procurement Unit in writing.

(5) Where any lower value award of contract or issue of a contract modification is made within the delegated authority granted to the Procurement Unit or the Head of the Procuring Entity, the Procurement Committee shall provide retrospective verification and approval at its next meeting.

## 15. Composition of Procurement Committees

(1) The Procurement Committee shall be composed of a Chairman and five members appointed under sub-section 18 (10) of the Law including any rotating member representing the originating department of a procurement proceeding.



(2) Additional rotating members may be co-opted as required for specific technical, legal or business inputs.

## 16. Procurement Committee Meetings

(1) Procurement Committee meetings should be attended by all members of the Committee. A quorum for meetings of a Procurement Committee is the Chairman and two of the members specified in regulation 15 (1) above.

(2) Decisions of the Procurement Committee shall be unanimous. Where unanimity cannot be achieved, a decision shall be deferred for further consultation and clarification to ensure that a unanimous decision can be made at the next meeting.

(3) Where any member of the Procurement Committee has a conflict of interest in any submission, he shall declare his interest in the submission, leave the meeting while the matter is considered and shall not participate in the deliberations or decision-making process of the Committee in relation to that submission.

(4) The secretary of the Procurement Committee shall record minutes of all Procurement Committee meetings, which shall include: (a) a register of attendance; (b) a list of all submissions considered;

(c) the decision made for each submission, including any major issues discussed, the reasons for any rejections and any clarifications or minor amendments to which the approval is subject;

(d) any conflicts of interest declared by members; and

(e) any dissenting opinions among Procurement Committee members.

## 17. Procurement Units

(1) Each procuring entity shall establish a Procurement Unit and, where appropriate, Subsidiary Procurement Units. Subsidiary Procurement Units may report to a subsidiary Procurement Committee if so established, or through the main Procurement Unit to the Procurement Committee.

(2) The size and level of staffing of the Procurement Unit, and any subsidiary Procurement Units, shall be determined by the procurement workload of the procuring entity, taking into account the volume, value, complexity and type of procurement conducted.

(3) The location and structure of the Procurement Unit, and any subsidiary Procurement Units, shall be determined by the procuring entity, in accordance with its operational requirements.

(4) The Procurement Unit shall include staff with appropriate technical skills, where a procuring entity has a significant volume of specialised procurement or procurement activity requires significant technical input.

(5) Staff of the Procurement Unit shall be appointed in accordance with the normal procedures applicable to the procuring entity, taking into account the certification and approval requirements issued by the NPPA.

## 18. Functions of Procurement Units

(1) In addition to the functions specified in section 19(3) of the Law, the Procurement Unit shall:

- (a) receive procurement requests from originating officers, check that the proposed procurement is within the approved procurement plan, and that budgeted funds are available prior to commencement of procurement proceedings;
- (b) ensure that funds are properly committed prior to issue of any contract or Purchase Order;
- (c) conduct the procurement process for approval of contract award by the head of the procuring entity without prior reference to the Procurement Committee if the value is within the appropriate thresholds set by the Law in the First Schedule (6) or as amended through the Regulations,
- (d) conduct the procurement and contract award process for approval of contract awards by the Procurement Unit without prior reference to the Procurement Committee if the value is less than the appropriate thresholds set by the Law in the First Schedule (6) as amended through the Regulations (or such lower thresholds as may be authorised by the Procurement Committee);
- (e) provide a written report to each meeting of the Procurement Committee detailing all contracts awarded under the authority of the head of the procuring entity since the previous meeting;

- (f) provide a written report to each meeting of the Procurement Committee detailing all contracts awarded under the authority delegated to the Procurement Unit since the previous meeting;
- (g) maintain any standing lists of bidders or lists of pre-qualified bidders required by the procuring entity;
- (h) prepare, publish and distribute invitations to pre-qualify, pre-qualification documents and invitations for expression of interest;
- (i) receive, open and safeguard applications to pre-qualify and expressions of interest;
- (j) evaluate applications to pre-qualify and assess expressions of interest;
- (k) propose shortlists and lists of pre-qualified bidders to the Procurement Committee for approval;
- (l) propose the membership of Evaluation Committees to the Procurement committee for approval;
- (m) participate in or advise Evaluation Committees, as appropriate; (n) participate in negotiations with bidders where permitted; (o) prepare notices of proposed award and notices of bid acceptance; (p) publish notices of proposed contract award; (q) prepare contract documents and Purchase Orders, in line with the award decision; (r) prepare and issue bid rejection and bidder debriefing letters; (s) prepare contract variations and modifications;

(t) assist with the inspection and acceptance of goods, works and services, including participating in inspection and receipt committees as required;

(u) ensure that procurement records are maintained, in accordance with these Regulations;

(v) prepare any reports required; and

(w) provide information, as required, for any petition or investigation to debar a bidder or supplier or any investigation under review procedures.

(2) In conducting its functions, the Procurement Unit shall at all times liaise with:

(a) the originating officer or end-user who initiated the procurement, to ensure that the procurement meets the requirement;

(b) the Procurement Committee, to ensure that all required approvals are obtained promptly; and

(c) the NPPA and other oversight bodies, to share appropriate information and facilitate the conduct of monitoring and other NPPA functions.

## 19. Approval of Contract Award by the Head of Procuring Entity

(1) The First Schedule (6) of the Law provides threshold values for the head of a procuring entity to approve the award of contracts. In considering submissions made by the Procurement Unit, the head of a procuring entity may:

(a) approve a submission;

(b) reject a submission with reasons; or

(c) approve a submission, subject to clarifications or minor amendments. (2)

The head of a procuring entity shall not: (a) modify a submission; or

(b) reject any submission without good reason in writing.

(3) Any submission rejected by the head of a procuring entity may be corrected and resubmitted and the head of a procuring entity shall provide explanation and justification of the reasons for any rejection to assist the Procurement Unit in remedying any defects in the submission.

(4) Where the head of a procuring entity has a conflict of interest in any submission, he shall declare his interest in the submission and refer it to the Procurement Committee for a decision.

(5) The head of a procuring entity may summon independent advisers or members of the Procurement Unit or Procurement Committee to explain submissions or provide technical advice, where required.

## 20. Independent Procurement Review Panel (IPRP)

(1) The Independent Procurement Review Panel established by section 20 of the Law provides an administrative review mechanism for bidders to complain on procedural irregularities and to challenge contract awards in any procurement proceeding.

(2) Subject to the conditions established in section 65 of the Law and in regulation 161, any application by a bidder for IPRP review shall be accompanied by an administrative fee. The fee payable shall be 2% of the applicants bid price up to a maximum of Le 2 million.

## CHAPTER THREE

### METHODOLOGY AND PRESENTATION OF DATA

#### 3. 0INTRODUCTION

There are several visible and encouraging signs of the good and effective procurement procedures in Bo-Kenema Power Services (BKPS). In spite of all the success stories around procurement in BKPS, yet there are however some lapses therein. This chapter looks at the methods of collecting data for this work and also the data presentation.

#### 3. 1METHODS OF DATA COLLECTION

Self-administered questionnaires were submitted to the procurement unit of the Bo-Kenema Power Services (BKPS) and forwarded to the relevant staff/authorities. This paves the way for interviewing relevant personnel for the work afterwards. The use of self-administered questionnaire enabled detailed factual data to be collected on the procurement area. Authorities were fully consulted and information given were authentic. Also bias was minimized as authorities themselves filled in the questionnaires. Major problem encountered in this method of data collection was that there was no opportunity to assess the attitudes of respondents when questionnaires were filled. This may in turn create biasness on the part of respondents.

Because of this problem of possible biasness and the desire to follow-up ambiguous and interesting answers in the questionnaire, personal interviews were held with pertinent authorities, employees of procurement unit. Such interview afforded the opportunity for attitude respondents (which are not apparent from the questionnaires) to be obtained and for questions to be explicitly interpreted. It was done in order to enhance a clear response. Minor problems that occur which greatly needs perseverance were the length of time in waiting to administer questionnaire to the respondents of each nature. Also frequent interruptions as most of the respondents were highly preoccupied in their business.

The third method of data collection was however linked with non-respondent participation. Observations were carried out over the way things are done. The opportunity to get first hand information on the topic adequately utilized. Observation is a useful way of cross checking the facts obtained from questionnaire and personal interviews, that lead to findings to be verified and problem areas qualified.

Records on the establishment of the company's aims and objectives and its management were contacted from the documentation centre of the company.

To make work easier, published and unpublished materials, textbooks, newspapers and other works relevant to the study were consulted. The method also created an insight to collect information on advertisement what has been written or said about it and to authenticate the data collection by instrument used.



### 3. 2 METHODS OF DATA PRESENTATION

Data collected for this work was mostly qualitative as the nature of the research called for. As the in hypothesis and objective, the research is geared towards looking at the functioning of the procurement system of Bo-Kenema Power Services (BKPS) and whether is functioning effectively or not. This therefore lead to data collections and presentations to be mainly qualitative than quantitative. Although some element of financial records that are procurement related were looked at for verification, yet it cannot be overemphasized.

## CHAPTER FOUR

### ANALYSIS AND INTERPRETATION OF DATA

#### 4. 0INTRODUCTION

The analyses from various data collection methods give concise and precise picture of the study. In this chapter, analyses in tabular and graphical presentations are done as well as the explanatory of the table or graph stated therein. Graph and table were used for easy understanding as it is easier to get a summary of something with a glance at either graphical presentation or tabular format.

#### 4. 1DATA ANALYSIS

The table below shows the various structures in existence at BKPS as enshrined in the Procurement Act 2004 and the Procurement Regulations of National Public Procurement Authority (NPPA). This table may not be exhaustive but took into consideration the main areas of relevance. Attempt is made to present this analysis into tabular and graphical format for easy understanding and also to summarise the write up. It could have taken a <https://assignbuster.com/recognition-of-procurement-functions-in-an-organisation-essay-sample/>

whole lot of writing to vividly explain these things than in tabular format. |

Table 1: Various Procurement Structures in Existence in BKPS as Prescribed by the Procurement Act 2004| No.| Structure| Level of Existence (%)| Degree of Functioning (%)| 1| Existence of Procurement Committee| 92 | 91 | 2| Existence of Procurement Unit| 90 | 90 | 3| Formal Approval of Awards by Head of Institution| 100 | 90 | 4| Correct Bidding Process Followed| 65 | 60 | 5| Existence of Procurement Plan| 75 | 70 | 6| Proper Documentation in place| 74 | 71 | 7| Transparency of Process| 69 | 66 |

Graph 1: Various Procurement Structures in Existence in BKPS as Prescribed by the Procurement Act 2004

Graph showing various structures in existence in BKPS as prescribed in the Procurement Act 2004.

From the table and graph above, there are seven structure areas namely: Existence of Procurement Committee, Existence of Procurement Unit, Formal Approval of Awards by Head of Institution, Correct Bidding Process Followed, Existence of Procurement Plan, Proper Documentation in place and Transparency of Processes involved in the procurement. Although the list is not exhaustive, meaning it may not have taken all provisions in in the Act but at least most relevant ones were considered for this study. Of the list, all provisions are in existence at the BKPS but their degree of functionality varies. In all, there are positive correlation between the level of existence and degree of functioning of all the provisions/structures. This means that as one goes up, the other also rises and reverse holds.

There is question mark on whether correct bidding processes are followed or not. This is to certain extent, though not defective in absolute term but fair enough is not that much correct and therefore needs some attention.

Another area that also needs attention is the transparent nature of the procurement process in BKPS. There seems to be no much transparency in the process as it scored a little below seventy per cent.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5. 1SUMMARY

Bo-Kenema Power Service (BKPS) based in Bo and Kenema is a subsidiary of National Power Authority (NPA) based in Freetown. This means that, there are some structural relationships. They are not independent in absolute term as some decisions that still lie in the hand of NPA, the holding company. Nevertheless, procurement to a very large extent is independent and therefore, decisions are taken right in Bo. It is independence of central procurement of NPA.

BKPS has in place almost all provisions as enshrined in the Procurement Act 2004 and these provisions are all functional. The degree of functionality is what vary ranging from provision/structure to structure. Some are very effective in terms of functionality and some are not that much functional.

Qualitative data was collected and presented in tabular and graph forms so as to ease the understanding of the readers. This was a deliberate effort of the researcher not to involve vivid explanation of provisions/structures in place at the BKPS.

The objective of the research is mainly to find out whether the procurement of BKPS is recognized or not, meaning functional or not and this has been proved to be functional. 5. 2CONCLUSION

From the data presented, it is clear that Bo-Kenema Power Service (BKPS) has in used almost all the main provisions of the Procurement Act 2004 and Procurement Regulations of National Public Procurement Authority (NPPA).

All of these provisions are not only in place but are also functional to certain extent as required by the Act. There are seen in chapter four (data analysis and interpretation) as out of the seven selected provisions, only two scored average marks between 60% to 70% which is quite bad score anyway.

The hypothesis of the research therefore has been proved right. That is, the procurement functions as outlined in the Procurement Act 2004 and NPPA Procurement Regulations are recognized in BKPS and therefore functional.

### 5. 3 RECOMMENDATIONS

It is but obvious that our center of recommendation will go towards the defective or the items that scored low grades. These are the transparency of procurement process and the bidding process. These areas need to be addressed as they are the most sensitive of the provisions.

We are therefore, recommending that adequate provision be made to ensure that correct bidding process are followed and also the process be as transparent as required by the law.

## APPENDICES

### APPENDIX 1

## QUESTIONNAIRE FOR BO-KENEMA POWER SERVICES (BKPS) – PROCUREMENT UNIT

Purpose: To collect information for dissertation writing in fulfillment of the award of a National Diploma/Certificate in Business Studies at the Eastern Polytechnic, Kenema.

Case Topic: Recognition of Procurement Functions in an Organisation

Case Study: Bo-Kenema Power Services (BKPS)

Scope: 2006 – 2010 (inclusive)

Instructions: Please provide the required information by ticking the appropriate answer or filling in the answer as applicable. All information provided shall be treated confidentially. I therefore solicit your greatest cooperation to make this exercise a success.

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