



TUESDAY: 28 November 2017.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

SECTION A

QUESTION ONE

- (a) Explain FIVE reasons why it is preferable to use the open tender method when procuring goods and services in the public sector. (5 marks)
 - (b) Outline FIVE factors considered in selection of buffer (safety) stocks. (5 marks)
 - (c) Identify FIVE contributions of procurement professionals in preparation of specifications. (5 marks)
 - (d) Outline FIVE roles of an accounting officer in contract management. (5 marks)
- (Total: 20 marks)**

SECTION B

QUESTION TWO

- (a) Highlight FIVE reasons why buyers should appraise the financial position of a potential supplier as part of the bid evaluation process. (5 marks)
 - (b) Huduma College plans to buy an Enterprise Resource Planning (ERP) system for managing the institution's operations. Explain why a Service Level Agreement (SLA) would be necessary when acquiring the software. (5 marks)
 - (c) Citing FIVE reasons, discuss the importance of inspecting goods before acceptance. (5 marks)
 - (d) You have been hired as a head of procurement in one of the reputable government regulatory agencies. Previously, you were working for a large Fast Moving Consumer Goods (FMCG) firm with a global presence. State FIVE unique characteristics of public procurement that you are likely to face as you settle down in your new position. (5 marks)
- (Total: 20 marks)**

QUESTION THREE

- (a) Outline the procedures involved in open tendering. (10 marks)
 - (b) Public participation is a key factor in public procurement. Discuss what amounts to public participation, citing relevant examples. (10 marks)
- (Total: 20 marks)**

SECTION C

QUESTION FOUR

Case study

XYZ Ltd. is a large public corporation involved in provision of electricity to rural households. The procurement department has been a bee-hive of activities in the past five years due to the government programme of providing electricity to rural households in every county. The procurement for the projects has largely been done the traditional way. The design of the engineering infrastructure is carried out by consultants, who also prepare the tender documents.

Contractors are then invited to bid via newspaper advertisements. The contractors respond by filling the tender documents from the employer.

Standard terms and conditions are used as part of the standard bidding documents for all the contracts. However, particular conditions of contract have normally been added to the standard terms of contract to cater for the peculiarities of each project. All the contracts in the last five years have been awarded on a lump sum basis, based on detailed bills of quantities. However, over 80% of the contractors have ended up presenting variations and claims.

A particular clause in all previous contracts was that every contractor must be fully conversant with all contractual requirements and no claims would be accepted except claims due to the default or mistakes of the employer. Furthermore, every standard contract document had a clause on “sufficiency of tender”. The contracts also did not permit alternative designs from bidders. A clause in the instructions to tenderers also stated that the standard terms and conditions of contract would be given second priority in the interpretation of the contract.

Required:

- (a) Several contractors proposed that XYZ Ltd. should involve them in both design and construction on a turnkey basis in order to reduce variations and claims.

Discuss whether it would be logical for XYZ Ltd. to grant this wish to future contractors. (10 marks)

- (b) Explain why it might have been necessary to award the contracts on a lump sum basis considering the public procurement regulations. (5 marks)

- (c) Explain whether it is appropriate to give particular terms and conditions priority over the standard ones. (5 marks)

- (d) Identify FIVE issues that may have made XYZ Ltd. incur claims from the contractors. (10 marks)

- (e) XYZ Ltd. should “ideally allow the contractors to submit alternative designs if they wish”. Discuss. (10 marks)

(Total: 40 marks)

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