

PROCUREMENT AND DISPOSAL POLICIES, PROCEDURES

AND

OPERATION MANUALS

JANUARY, 2007

(REVISED 2015)

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A: PROCUREMENT POLICY

A.1. INTRODUCTION

This document comprises 5 parts:

- (i) Part A spells out the Procurement Policy.
- (ii) Part B sets out the Responsibilities.
- (iii) Part C outlines the process of pre-qualifying Preferred Suppliers.
- (iv) Part D details the Operating Procedures.
- (v) Part E lays out the Operating Manual in a Matrix format.

This policy covers all expenditure on purchase of goods/services in the Company excepting Staff costs. The Appendices section shows the Forms that are used in executing the Procurement Process.

A.2 OBJECTIVE

These policies and procedures are designed to support the achievement of the Company's objectives in order to realize the corporate vision and mission. More specifically, the policy is designed to:

- (i) Provide a framework for an effective and efficient sourcing of all the goods and services that are required for the attainment of the Company's objectives.
- (ii) Ensure an effective process/mechanism of controlling expenditure on purchases and thereby minimizing waste
- (iii) Ensure proper end-to-end supplier management.
- (iv) Set the framework for all company sourcing and payment that must be adhered to at all times.
- (v) Set out the steps and procedures which all Company Staff must follow before purchase commitment to a third party
- (vi) Help the Procurement Function to be effective and efficient in providing procurement service to the users.
- (vii) Help set up a framework for building a purchasing team spirit in the Company to attain the best value for money in all purchases i.e. quality purchases at bargain prices.
- (viii) Exploit advances offered by new technology for better management of purchases.

A.3 THE POLICY

All company purchases, contracting and disposals shall be routed through the Procurement Function in line with the laid down procedures as stipulated in this policy. Adherence to the policy and the specified procedures shall be mandatory for all Staff when purchasing goods or services from external third party suppliers. The required approvals shall be obtained in accordance with the Company's Authority Matrix.

Except for the cases (i) to (iv) below all purchases shall be sourced from the Preferred List of Suppliers ("PLS"). An updated Preferred List of Suppliers covering all the usual purchases of the company shall be compiled and maintained at all times. The PLS shall be compiled jointly between the Procurement Function and the Users. Exceptions to the "PLS" arrangement shall be made for the following four categories of purchases:

Box 1: Exceptions to Using PLS

- i. Petty cash purchases.
- ii. Exceptional Items not sourced through procurement (Utilities,

The Non Routine items are identified as shown below:

Box 2: Non-Routine Items

- i. Staff Recruitment and training
- ii. Company advertising for corporate and image building initiatives

Such purchases shall be handled by the respective users as Non-Routine under the relevant procedure. An approval by the FOD shall be required before a commitment of such purchases. The person seeking the variation shall be required to build a case for such variation which shall form basis for such expenditures.

All Commitment of purchase by the company shall be evidenced by either of the following documents:

- i Receipt of Purchase from supplier (for petty cash items),
- li Contract or Local Purchase Order,
- lii Contract and/or Service Level agreement,

A contract for supplies will be required in all cases where the goods or services meet any of the following criteria:

- i. Complex or involve warranty or supply is for an extended period of time (over 6 months)
- ii. Outsourced service or supplier Staff is stationed within the Company premises.
- iii. Where performance indicators, breaches, remedies and indemnities must be highlighted.

B: RESPONSIBILITIES

B.1 Management

To enable the Procurement Function meet its objectives – the company management will:-

- (i) Integrate Procurement as a high competency business area.

- (ii) Set out deliverables and targets for the Function whose achievement shall be reflected in the overall company performance.
- (iii) Endeavour to promote a culture of a “*disciplined procurement*” in the organization.

B.2 Procurement Function

The goals of the Procurement Function within the Procurement Policy are.

- (i) Appreciate and obtain a clear understanding of the business requirements in the company.
- (ii) Study and comprehend the supply markets with a view to capturing recognizable and measurable business value.
- (iii) Develop and grow purchasing capability to meet immediate and future needs.
- (iv) Coordinate the timely and proper appraisal of Preferred Suppliers
- (v) Ensure the adoption of the Preferred Supplier List.
- (vi) At all times, maintain high integrity and professionalism when sourcing and contracting for the organization.
- (vii) Document, monitor and manage the exposure of the company to commercial risks that arise from purchasing decisions and commitments.

C: PREQUALIFICATION OF SUPPLIERS

C.1 Objective

The Company shall endeavor to build a “partnership relationship” with service providers whose core business is the supply of goods and services required by the Company. This will ensure that the Company gets the right goods/services from the right sources at all times thus getting the best value for money. (“right” in this case shall be deemed to mean Quality, Specifications, Unit , Quantity and Price)

C.2 Policy on Preferred Suppliers

A Preferred list of Suppliers will be maintained from which all purchases, except as indicated in the Policy, must be sourced through. Any purchases made outside the PLS , except as indicated in the Policy , will be treated as a violation to the Procurement Policy and will require authorization as set out thereto. This list will be maintained and updated continuously. A tender prequalification shall be done after every two years so as to capture and identify service providers which might not have been captured during the period under review.

Repeat orders shall be allowed provided that the initial order had been made through competitive bidding and the period elapsed is not more than Six months. However, should the goods/services vary from the original LPO, Request for Quotation or SLA, such purchase must be subjected to competitive quotations.

C.3 Supplier Selection

All suppliers shall undergo the vetting process indicated below in order to join the Preferred List of Suppliers

Box 3: Selection Process for Preferred Suppliers.

- (i) The User identifies the need and requirement for certain supply and in conjunction with the Procurement Manager, builds robust specifications
- (ii) The stipulate Procedures shall inform whether the potential suppliers shall be invited through open or closed tender

The Preferred List of Suppliers shall be developed by the Procurement Function in liaison with the respective Users. The process must be conducted in a fair, transparent and competitive manner, provided the requirement for alternative suppliers shall not apply for sole suppliers of goods and services.

A distinct category to be called Revex shall be defined within the Routine Purchases and the PLS for these shall be maintained and continuously whilst the Long term contracts shall be maintained and updated every two years. To address commercial risks, a unique category to be called “**Critical Suppliers**” shall be identified for enhanced relationship management. These are those suppliers where the interruption of supply could either disrupt company operations or have a significant impact on the business.

For any supplier to be added to the PLS, the usual vetting process shall be required. Any variation will require authorization as stipulated in the policy.

C.4 Supplier Evaluation

The mandatory vetting process to qualify suppliers into PLS shall involve an evaluation covering the following areas:

- i. Outsourcing policy as guided by the Central bank of Kenya , which forms part of the appendix to this policy
- ii. Financial capability
- iii. Business strength and reliability
- iv. Company structure
- v. Performance capability and potential
- vi. Operation Risk and controls
- vii. Supplier’s Employee Strengths
- viii. Clients bases and References
- ix. Assessment based on site visits
- x. References

D: PROCEDURES

D.1: Categories of Purchasing Spend

Whilst the Authority Matrix shall dictate the approval required, specific procedures on purchases, which will have to be adhered to at all times, is as shown below

(i) Routine/Good/Services

The Procedure for the Purchase of Routine consumable Goods and services will be based on item cost as categorized below.

| Type | Cost Per Order in Shs | Procedure |
|-------------|--|--|
| Small | Up to Shs 50,000.00 | <u>1. Expenditure on Consumables: REVEX</u> Single quotation from the PLS for an ordinary/ standard good or service will suffice. <u>2. Capital Expenditure and Revex Contracts for more than 1 Year.</u> Whilst one Quotation will suffice, comparative costs from at least three suppliers from the Preferred List of Suppliers will be preferred. |
| Medium | More than 50,000.00 But Less than 500,000.00 | 1. Expenditure on Consumables: REVEX Quotations from at least three suppliers in the Preferred List of Suppliers. 2. Capital Expenditure and Revex Contracts for more than 1 Year. Quotations from at least three suppliers from the Preferred List of Suppliers for every Purchase. All bids shall be submitted as closed bids. Variations to this procedure will require an affront approval from DOF. |
| Large | More than 500,000.0 but less than 5,000,000.00 | Open tender bids at all times. The Procurement function in liaison with the User and Manager Finance shall carry out a cost/benefit analysis and prepare a business case. This will form part of the approval documentation |
| Very Large | Greater than 5,000,000.00 | A tender committee (TC) will be constituted by the DOF in consultation with the initiating user. The Procurement Function and user department will prepare the Terms of |

| | |
|--|---|
| | reference (TOR) of the TC using the company template, which will be reviewed by the DOF and approved by MD. |
|--|---|

Note: Breaking up of purchase request will not be accepted

(ii) Petty Cash

All Purchases shall be guided by the petty cash limit of each branch.

(iii) Exceptional Items

These are Utilities, Rental of Space, Cub member ship, Subscriptions.
These are not covered by the procurement policy

D.2: Procedures Cycle:

This section is broken into three sub-sections, Routine, and Non Routine and Emergency purchases.

| | <u>ROUTINE PURCHASES</u> |
|-----|--|
| 1.1 | The user Divisions/Department completes the Requisition Form 1 and seeks the necessary authorizations per the Authority Matrix before submitting it to Procurement. The detailed specification where necessary shall be attached. |
| 1.2 | Procurement reviews the requisition form to confirm completeness, accuracy and authority before proceeding on with the procurement process. |
| 1.3 | Procurement selects the suppliers to be contacted based on the Preferred List of Suppliers; raises quotation request forms (as the case might be) and sends them to the selected suppliers. |
| 1.4 | Procurement receives quotations directly from the invited Suppliers, carries out the necessary analysis and awards order to one or more suppliers. |
| 1.5 | Procurement contacts the selected Supplier for any clarifications and further negotiation on discounts. In the event of negotiated changes that are agreed verbally, Supplier confirms this in writing. |

| | |
|-----|---|
| 1.6 | Procurement raises an LPO based on final agreed price to the selected Supplier. A copy of the LPO is passed to the User to be used for confirmation during the receipt of Goods/ Services. Upon confirmation, the User forwards all the Documentations (LPO Copy, Invoice, Delivery note and other relevant papers) to Financial Accounts for Payment. |
| | <u>NON-ROUTINE PURCHASES</u> |
| 2.1 | Divisions shall make non-routine purchases for such specialised purchases. |
| 2.2 | Upon the emergence of the need, the Division contacts the Supplier as indicated in the PLS, negotiates the cost, but do not commit, and fill up non-routine forms. FORM 2 A. The form will indicate the specification of goods/services required and The supplier preferred giving reason there-of and seek MDs authority before passing on to procurement department. |
| 2.3 | Procurement reviews the requisition form contacts the supplier indicated, obtains quotations and seeks authority before proceeding on with the procurement process. |
| 2.4 | Where deemed necessary Procurement undertakes independent checks to establish whether the company is getting value for money from single source and whether same service/good could be obtained elsewhere. |
| 2.5 | Procurement contacts the selected Supplier for any clarifications and where necessary, negotiates further on discounts in liaison with the Divisional Directors. |
| 2.6 | Procurement passes the documentations to the DOF for the necessary approvals. |
| 2.7 | Procurement issues LPO and passes a copy of the LPO to the originating Department to be used for confirmation during the receipt of Goods/ Services. Upon confirmation, the Department forwards all the Documentation, LPO Copy, Invoice, Delivery note and other relevant papers to Financial Accounts for Payment. |
| | <u>EMERGENCY PURCHASES</u> |
| 3.1 | User Departments shall document for each year what may require buying as an emergency purchases. A PLS will then be done through the evaluation process as indicated. |

| | |
|-----|---|
| 3.2 | The department once faced with the emergency situation contacts the service provider if one is on the preferred supplier list or other reputable suppliers. After carefully explaining the scope of service required, and receiving the price indication, authorizes the service provider to start immediately. The service provider will provide an invoice after the service upon which an Emergency purchase form, FORM 2 B , is filled and send to Procurement Department. |
| 3.3 | Where deemed necessary Procurement undertakes independent checks to establish whether the company is getting value for money from single source and whether same service/good could be obtained elsewhere. |
| 3.4 | Procurement contacts the selected Supplier for any clarifications and where necessary, negotiates further on discounts. |
| 3.5 | Procurement passes the documentations to the division for the necessary approvals. |
| 3.6 | Procurement forwards the papers to Finance for payment |

E: OPERATION MANUAL

E.1 PURCHASING

Policies

- The Procurement Function will coordinate and facilitate procurement of all goods and services for the Company.
- Expenditure on goods and services should be authorized in accordance with the Authority Matrix
- Goods and services will be purchased from the PLS only. If the name does not appear on the list the Director of Finance must authorize it.

Objective

- To ensure that quality goods and services are purchased on a timely basis at the most reasonable prices available in the market.

| No | <u>Procedures</u> | Responsibility | | | Remarks |
|-----|---|--------------------|------------------|----------------------------|---|
| | | <u>Div Assist.</u> | <u>Man Proc.</u> | <u>Director of Finance</u> | |
| 1.1 | <u>ROUTINE PURCHASES</u> Receive duly completed routine requisitions form (and detailed specifications), date stamp and forward to the Procurement Manager. | √ | | | |
| 1.2 | Check the requisition form for completeness, accuracy and authorisation | | √√ | | Check whether expenditure is within budget, duly authorised by the Departmental Manager/Divisional Director. |
| 1.3 | Select the suppliers to be contacted | | √ | | |
| 1.4 | Raise the quotation request forms as per requisition quotations | √ | √ | | Ensure the specifications on quotations request form are the same as the requisition from the users. If necessary attach sample of item required The request form should have a definite time frame |
| 1.5 | Call/advice the selected suppliers to collect the quotation request forms | √ | | | |
| 1.6 | Receive all the quotations within the set time frame. Open the quotations, date stamp received and forward to the Procurement Manager | √ | | | |
| 1.7 | Analyse the quotations, make recommendations | √ | √ | | |
| 1.9 | Contact the selected supplier for any clarifications and further negotiation on discounts | | √ | | |

| No | <u>Procedures</u> | Responsibility | | | Remarks |
|------|---|--------------------|------------------|----------------------------|---|
| | | <u>Div Assist.</u> | <u>Man Proc.</u> | <u>Director of Finance</u> | |
| 1.10 | Record the AIE in the register. Obtain the authority to incur the expenditure from the appropriate Manager or Director | ✓ | ✓ | | The person authorising the expenditure should check that the entire procurement process is properly followed. Ensure the expenditure within your limit as per authority schedule |
| 1.11 | Raise the LPO as per the final quotation agreed with supplier. | ✓ | ✓ | | |
| 1.12 | Review the LPO and the supporting documentation and authorise the LPO. | | | ✓ | |
| 1.13 | Forward one set the LPO and the relevant user to be used for confirmation during the receipt of goods/ services. Department files one set in the procurement file for future reference and audit. | ✓ | | | |
| 1.14 | <u>NON-ROUTINE PURCHASES</u> Receive duly completed non routine Emergency requisitions form (and detailed specifications), date stamp and forward to the Manager-Procurement. | ✓ | | | Divisional directors can participate in selection of suppliers /service providers for specialised purchases which are non-routine in nature (these are to be defined from time to time) . In such cases the non- routine requisition form must be filled and authorised by the Division Director |
| 1.15 | Review the requisition and where deemed necessary perform other independent checks establish that the organisation is getting value for money | | ✓✓ | | |
| 1.16 | Call on the supplier to negotiation of price discounts (whenever possible) and document the outcome | | ✓ | | |

| No | <u>Procedures</u> | Responsibility | | | Remarks |
|------|---|--------------------|------------------|----------------------------|---------|
| | | <u>Div Assist.</u> | <u>Man Proc.</u> | <u>Director of Finance</u> | |
| 1.17 | Authorise the purchase the issuance of the authority to incur and LPO as per procedure 1.10 to 1.13 above | | | ✓ | |
| | <u>EMERGENCY PURCHASES</u> | | | | |
| 1.18 | Receive duly completed Emergency requisitions form (and detailed specifications), date stamp and forward to the Manager-Procurement. | ✓ | | | |
| 1.19 | Review the requisition and where deemed necessary perform other independent checks establish that the organisation is getting value for money | | ✓✓ | | |
| 1.20 | Seek Expenditure authority from Director of Finance and thereafter pass the Documentations to the Manager-Finance for payment | | ✓✓ | ✓✓ | |
| | | | | | |

E.2 SERVICE CONTRACTS

Policies

- Where an essential service is required on a continuous basis the Company will enter into a service contract with the service provider.
- The expenditure on all service contracts should be approved in accordance with the authority schedule
- All the contracts should have service level agreements specifying the level of performance expected by/from each party
- The Procurement Function shall liaise with the Users and review every contract at least once every year with a view to ensuring the continued necessity, proper pricing and level of performance.

Objectives

- To ensure all service contracts are properly vetted before they are executed
- To ensure that the expenditure on service contract is properly authorized as per the authority schedule

| No | <u>Procedures</u> | <u>Responsibility</u> | | | <i>Remarks</i> |
|-----|--|-----------------------|-----------------------------|-----------------|---|
| | | <u>Div Assist.</u> | Man-Proc. of Finance | Director | |
| 2.1 | <u>New contracts</u> Receive request for the service from the users, date stamp and forward to the Manager-Procurement. | ✓ | | | The detailed specifications of the service required should be attached to the requisition. |
| 2.2 | Review the contract specification and select the service providers to be contacted | | ✓✓ | | |
| 2.3 | Send the quotations request forms to the selected service providers as indicated in the PLS | ✓ | | | The quotation request forms should have sufficient specifications of the service required |
| 2.4 | Receive the quotations within the specified time frame | ✓ | | | |
| 2.5 | Check the quotations and prepare a summary of the quotations and forward to the Departmental Manager for review | | ✓ | | |
| 2.6 | Review the contracts quotations summary and select the most suitable service provider | | ✓ | | This should be based on the need to meet the users requirements at an acceptable cost |
| 2.7 | Raise the expenditure approval form and obtain the necessary approval for the expenditure | | ✓ | | The expenditure should be authorised in accordance with the authority schedule |
| 2.8 | Draft the contract and the service level agreements in liaison with the users and the legal department | | ✓ | | Users should ensure that the contract would adequately meet their needs while legal department should ensure that the contract meets legal requirements and Company's interests are properly safeguarded. |
| 2.9 | Execute the contract and the service level agreements | | | ✓ | The execution will be in accordance with the authority schedule |

E.3 PRE-QUALIFICATION OF SUPPLIERS

Policies

- The Company will Endeavour to create partnership relationships with key suppliers of Goods/services as required by Housing Finance
- User departments will identify the services/ goods they will require in the year and do the specifications and evaluation criterion.
- The suppliers picked will be authorized by the respective director and the Director of Finance Procurement and the relevant Department will draw the Evaluation criterion

Objectives

- To ensure that value for money is obtained on all purchases
- To ensure that all the Company enjoys the economies attributed to dealing with the industry leaders in each field

| No | <i>Procedures</i> | <i>Responsibility</i> | | | <i>Remarks</i> |
|-----|---|-------------------------|-----------------------------|------------------|----------------|
| | | Dept Manager | Manager Procure. | Directors | |
| 3.1 | Prepare a summary of all the Good and services that will be required in the year and their specifications | √ | | | |
| 3.2 | Review and evaluate the request and prepare a an evaluation criterion | √ | √ | √ | |
| 3.3 | Where deemed necessary, invite the user department to discuss and reconfirm the understanding of the specifications | √ | | √ | |
| 3.4 | Prepare the tender invitation documents and obtain a confirmation from the user as to the accuracy of the specifications and the tender charges | √ | √ | √ | |
| 3.5 | Invite tenders through the daily newspapers | | √ | | |
| 3.6 | Receive and analyse tenders and prepare a summary | √ | √ | | |

| No | <u>Procedures</u> | <u>Responsibility</u> | | | Remarks |
|------------|---|----------------------------|-------------------------|------------------|--|
| | | <u>Dept Manager</u> | <u>Manager Procure.</u> | <u>Directors</u> | |
| 3.7 | Review the summary of the bids in consultation with the relevant stakeholders and decide on the most suitable service providers | ✓ | ✓ | ✓ | Suitability meeting most of the specifications |
| 3.8 | Invite the short listed service providers for further joint review by the user department, other stakeholders and procurement | | ✓ | | |
| 3.9 | Jointly select the most suitable service providers and document the basis of selection | | ✓ | | This will be done together with the user department/division |
| 3.10 | Raise the authorisation memorandum for approval by the Divisional Director and Director of Finance | ✓ | ✓ | ✓ | |
| 3.11 | Update the Preferred list | | ✓ | ✓ | |
| E.4 | NON-ROUTINE PURCHASES- (BUSINESS DEVELOPMENT, HUMAN RESOURCES DIVISIONS, LEGAL AND CONSULTANCY/PROFESIONAL SERVICES) | Responsibility | | | Remarks |
| | | Divisio nal Dir | DOF | MP | |
| 4.1 | Divisions namely: Human Resources, Business Development, analysing and proposing the Preferred Supplier for specialised purchases, which are non-routine in nature. <ul style="list-style-type: none"> The specialised purchases are to the identified and defined respective Divisional Directors and advised to the Director of Finance 31 December for the following year. | ✓ | ✓ | | |

| No | <u>Procedures</u> | <u>Responsibility</u> | | | Remarks |
|-----|---|-------------------------|-----------------------------|------------------|---------|
| | | <u>Dept Manager</u> | <u>Manager Procure.</u> | <u>Directors</u> | |
| 4.2 | The department contacts the service Provider for the service, which must have been indicated in 4.1 and the service provider indicated in the PLS. After receiving quotation and negotiating for discounts, fills FORM 2 A. The form will indicate the specification of goods/services required and The supplier preferred giving reason there-of. After obtaining MDs authority, passes to Procurement Department. | ✓ | | | |
| 4.3 | Procurement reviews the requisition form contacts the supplier indicated, obtains quotations and seeks authority before proceeding on with the procurement process. | ✓ | | | |
| 4.4 | Where deemed necessary Procurement undertakes independent checks to establish whether the company is getting value for money from single source and whether same service/good could be obtained elsewhere. | | ✓ | ✓ | |
| 4.5 | Procurement contacts the selected Supplier for any clarifications and where necessary, negotiates further on discounts in liaison with the Divisional Directors. | | | ✓ | |
| 4.6 | Procurement passes the documentations to the Director of Finance for the necessary approvals. | | ✓ | ✓ | |
| 4.7 | Procurement issues LPO | | ✓ | | |

| No | <u>Procedures</u> | <u>Responsibility</u> | | | Remarks |
|-----|---|-------------------------|-----------------------------|------------------|---------|
| | | <u>Dept Manager</u> | <u>Manager Procure.</u> | <u>Directors</u> | |
| 4.8 | Procurement forwards one copy of LPO to Financial Accounts Department to be used in support of the payment and notifies the originating department. | ✓ | ✓ | | |

E.5: DISPOSAL OF OBSOLETE FURNITURE/EQUIPMENT

Policy

Obsolete Furniture and equipment, which is no longer needed in the Company, should be disposed in the most efficient and fair manner

Objectives

- To ensure that obsolete furniture is promptly disposed in the most efficient and effective manner
- The obsolete items should be removed away from the company premises

| No. | <u>Procedures</u> | <u>Responsibility</u> | | | Remarks |
|-----|---|-----------------------|--------------------------|-----------------------------|---------|
| | | <u>Div Assist</u> | <u>Manager Proc.</u> | <u>Finance Director</u> | |
| 5.1 | Identify and label all the items earmarked for sale | ✓ | ✓ | | |
| 5.2 | Prepare an inventory list of the items to be disposed | ✓ | ✓ | | |
| 5.3 | Review inventory list and authorise the disposal of the items | | | ✓✓ | |
| 5.4 | Invite bids for purchase of the items from Staff | | ✓ | | |
| 5.5 | Open analyse the bids and award the items to the highest bidder | ✓ | ✓ | | |

| No. | <u>Procedures</u> | Responsibility | | | Remarks |
|-----|--|----------------|---------------|------------------|---------|
| | | Div Assist | Manager Proc. | Finance Director | |
| 5.6 | Inform the winning bidders to pay for the items | √ | | | |
| 5.7 | Issue a gate pass for the removal of the items once items have been paid for | | √ | | |

F. A -Business Development Division - non-routine/ special procurements

1.0 Special/ non-routine purchases

Business Development Division has special cases (usually non-routine) relating to following areas:

Public relations

- Organizing meetings/cocktails
- Hotel bookings

Corporate marketing

- Image building incentives
- New business development strategies

| No. | Procedure | Responsibility | | Remarks |
|-----|---|----------------|-----|---|
| | | DBD | DOF | |
| 1.1 | Contact the Service Provider(s) with the acceptable experience/professionalism | √ | | If there are many Service Providers available in the market, then approach at least 3 of them |
| 1.2 | Provide the Service Providers with your requirements/needs and ask them to respond with documented proposal | √ | | |
| 1.3 | Analyze and evaluate the proposal(s) and determine which meets the requirement at competitive pricing | √√ | | |
| 1.4 | Seek to obtain further bargains of the fees/cost/price for the service | √ | | The Director BD is responsible for this. This will minimize the involvement of |

| | | | | |
|-----|--|---|----|---|
| | | | | Procurement price re-negotiate before committing the company |
| 1.5 | Complete and submit a duly authorized Expenditure Requisition Form (for non-routine purchases), together with all the supporting documents to Procurement Department | √ | | The authorization will be in accordance with the Authority Schedule |
| 1.6 | Review and confirm that the process has been followed and establish whether the Company is getting value for money and discuss with DB if this is not the case -otherwise issue an LPO as per procedure F-II-1.0 and hand over the supplier copy to BD for onwards release to the supplier | | √√ | The Director Procurement and his team will base the assessment of value for money on knowledge and experience of the market |

F Corporate advertising and public relations - Contracted services

Where the Company has a Contract and Service Level Agreement with advertising/ PR Agency the following procedure will apply for the design /artistic/intellectual work.

| No. | Procedure | Responsibility | | Remarks |
|-----|--|----------------|-----|---|
| | | DBD | DOF | |
| 2.1 | Contact the Contracted Agency and discuss the idea/requirements/brief | √ | | |
| 2.2 | Obtain a confirmation of the understanding of the requirement and the estimated cost of the service from the Agency | √ | | |
| 2.3 | Review and evaluate the agency's the confirmation and ascertain the basis and reasonableness of the price quoted | √√ | | |
| 2.4 | If satisfied, complete and submit a duly authorized Expenditure Requisition Form (for non-routine purchases) together all the supporting documents to Procurement Division | √√ | | The authorization will be in accordance with the Authority Schedule |

| | | | | |
|-----|---|---|---|--|
| 2.5 | Issue an instance LPO and hand over the Agency's copy to BD | | √ | |
| 2.6 | Issue confirmation of the acceptance of the brief and the price together with the LPO to the Agency | √ | | |

2.0 Newspaper advertisements (Print Media)

The following procedure will apply for newspaper advertisement undertaken directly with the Media Companies.
(The assumption: Media Companies charge at fixed rates for different types of space required)

| No. | Procedure | Responsibility | | Remarks |
|-----|--|----------------|-----|---|
| | | DBD | DOF | |
| 3.1 | Contact the Media Company and discuss the space and other advertisement requirements with them | √ | | |
| 3.2 | Based on the estimated cost, complete a duly authorized Expenditure Requisition Form (for non-routine purchases) | √ | | The authorization will be in accordance with the Authority Schedule |

FORM 1: ROUTINE PURCHASE /EXPENDITURE –REQUISITION FORM

(Complete in Duplicate)

PART A: To be filled by the User/Requisitioning Department

1. State the Good/Service Required

.....

2. Expenditure Account Details

Account to be Debited:Budget Line:

3. Approved for expenditure within budget, in accordance with the Authority Matrix

| Name | Designation | Signature | Date |
|-------|-------------|-----------|------|
| (i) | | | |
| (ii) | | | |
| (iii) | | | |
| (iv) | | | |

If the expenditure was **unbudgeted for or is in excess of budget**, further approval required

| Name | Designation | Approval Signature | Date |
|------|-----------------|--------------------|------|
| | Divisional Head | | |
| | MD | | |

PART B: For use in procurement Department

| Quotations received from preferred list of suppliers | Amount (Kshs) | Recommendations |
|--|---------------|-----------------|
| 1. | | |
| 2. | | |
| 3. | | |
| 4. | | |
| 5. | | |

Recommendations by Manager, Procurement to issue LPO/Service Order

Signature: Date:

PART C: Financial Authority

Approval for Expenditure issued by DOF/MF

Signature: Date:

Number of LPO issued: Dated:.....

FORM 2A:NON ROUTINE PURCHASE /EXPENDITURE –REQUISITION FORM
(Complete in Duplicate)

PART A: To be filled by the User/Requisitioning Department

1. State the Good/Service Required
.....
2. Name of Service provider considered (from the Preferred List of Suppliers)
.....
3. Give Reason and attach documents to support your recommendations
.....
4. Expenditure Account Details
Account to be Debited:Budget Line:

5. Savings achieved by this Purchase

| Original Cost KShs | Negotiated Price KShs | Savings Achieved KShs |
|--------------------|-----------------------|-----------------------|
| | | |

6. Approval of expenditure within budget, in accordance with the **Authority Matrix. The MDs authority MUST be sought**

| Name | Designation | Signature | Date |
|------|-------------|-----------|------|
| | | | |

| | | | |
|-------------------|----|--|--|
| (i) | | | |
| (ii) | | | |
| (iii) Frank Ileri | MD | | |

7. If the expenditure was not budgeted for or is in excess of budget, Specific authority for Non budgeted /in Excess of budget cost must be sought as below..

| Name | Designation | Approval Signature | Date |
|-------------------|---------------------|--------------------|------|
| | Divisional Head | | |
| | Director of Finance | | |
| (iii) Frank Ileri | MD | | |

PART B: For use in Procurement Department

| Quotations received from Preferred List of Suppliers | Amount (Kshs) | Recommendations |
|--|---------------|-----------------|
| 1. | | |
| 2. | | |
| 3. | | |
| 4. | | |

Recommendations by Manager, Procurement to issue LPO/Service Order

Signature: Date:

PART C: Financial Authority

Approval for Expenditure issued by DOF/MF

Signature: Date:

Number of LPO issued: Dated:.....

FORM 2B:EMERGENCY /URGENT PURCHASE /EXPENDITURE –REQUISITION FORM
(Complete in Duplicate)

PART A: To be filled by the User/Requisitioning Department

1. Describe the service /Good Required

2. Name of Service provider considered (from the Preferred List of Suppliers)

3. Give Reason and attach documents to support your recommendations

4. Expenditure Account Details
 Account to be Debited: Budget Line:

| | | | |
|--|--|--|--|
| | | | |
|--|--|--|--|

5. Savings achieved in this Purchase

| Original Cost KShs | Negotiated Price Kshs | Savings Achieved Kshs |
|--------------------|-----------------------|-----------------------|
| | | |

6. Approved for expenditure within budget. Divisional Directors authority must be obtained

| Name | Designation | Signature | Date |
|-------|-------------|-----------|------|
| (i) | | | |
| (ii) | | | |
| (iii) | | | |

7. If the expenditure was not budgeted for or is in excess of budget, MD approval is needed

| Name | Designation | Approval Signature | Date |
|------|---------------------|--------------------|------|
| | Divisional Director | | |
| | Director of Finance | | |
| | MD | | |

PART B: For use in procurement Department

| Quotations received from Preferred List of Suppliers | Amount (Kshs) | Recommendations |
|--|---------------|-----------------|
| 1. | | |

| | | |
|----|--|--|
| 2. | | |
| 3. | | |
| 4. | | |

Recommendations by Manager, Procurement to issue LPO/Service Order

Signature: Date:

PART C: Financial Authority

Approval for Expenditure issued by DOF/MF

Signature: Date:

Number of LPO issued: Dated:.....

OUTSOURCING POLICY

This is guided by the periodical reviews and updates by the Central Bank of Kenya Ltd

- a) Strategic goals/objectives of outsourcing:
 - i. Reduce and control operating costs
 - ii. Free internal resources (mainly human capital) to enhance focus on core business of the bank
 - iii. Gain access to world-class capabilities

- b) Housing Finance (HF) will not outsource Core Management Functions. HF will however outsource material activities upon approval from Central Bank of Kenya (CBK) and non-material activities upon notification to CBK.
- c) Definition: (a) Material activity – an activity which if disrupted, will have the potential to significantly impact the business operations, reputation and/or profitability of HF (b) Non-material activity - an activity whose disruption will cause low or insignificant impact to HF's business.
 - i. Core Management functions:
 - a. Corporate planning
 - b. Organization
 - c. Management and control
 - d. Decision-making functions like determination of compliance with applicable laws and regulations, decision to grant loans and management of the institutions' investment portfolio
 - ii. Material activities are:
 - a. Information system management and maintenance (e.g data entry and processing, data centers, facilities management, end user support and help desks)
 - b. Application processing (loan originations, credit cards)
 - c. Claims administration (loan negotiations, loan processing, collateral management, and collection of bad debts)
 - d. Business continuity and disaster recovery
 - e. Marketing and research
 - f. Cash movement
 - g. Provision of mobile financial services channels/technology.
 - h. Document processing (e.g. cheques, credit card bill payments, bank statements and corporate payments)
 - i. Professional services related to business activities of institution e.g. accounting and internal audit.
 - j. Internal audit.
 - k. KYC activities related to AML compliance.
 - l. And any other activity the Central Bank may specify.

- iii. Non-material activities are:
 - a. Courier services
 - b. Mail
 - c. Printing services
 - d. Credit background checks, back ground investigations
 - e. Employment of contract or temporary staff
 - f. Any other activity the Central Bank may specify

- d) The steps to be taken in evaluating whether a particular activity is appropriate for outsourcing
 - i. Determine whether the activity is a core management function
 - ii. Determine whether the activity is material or non material
 Thereafter refer to bullets (b) and (c) above for requisite action
- e) Criteria for determining material outsourcing
 - i. An activity which if disrupted will have the potential to significantly impact the business operations, reputation and/or profitability of HF is material
- f) Processes for evaluating risks associated with an outsourced activity
 - i. Conduct BIA (Business Impact Analysis) on the outsourced activity. This exercise will assist in determining the criticality of the activity to the business
 - ii. Conduct RA (Risk Assessment) on the outsourced activity. This will assist in determining the threats to the business from that activity and how they are mitigated.
- g) Criteria for evaluating outsourcing relationships (with service providers) including necessary controls and reporting processes on an ongoing basis
 - i. Clear management structure with built-in succession plans
 - ii. Qualified staff
 - iii. Adequate financial capability to support the activity
 - iv. Evidence of prudent risk management
 - v. Compliance to laws
 - vi. Evidence of regular business continuity tests and sufficient contingency capability
 - vii. Prompt reporting of changes involving key staff, systems and processes
 - viii. Adopting of Change Control discipline to manage changes
- h) Eligibility criteria for selecting service providers taking into account any relation, directly or indirectly, with the latter
 - i. The service provider is not owned or controlled by any director or employee of the bank
 - ii. Capacity and capability to comply with obligations in the outsourcing contract e.g. Compatibility with the bank's system, financial & operational factors, ability to protect the bank's information, ability & willingness to conduct joint (service provider & bank) Business Continuity & Recovery exercises, etc.
 - iii. External factors that may impact service providers operations and performance e.g. political, economic, social and legal environment of the jurisdiction in which the service provider operates
- i) Addressing risk concentrations and risks arising from outsourcing multiple activities to the same service provider

- i. The bank will outsource only one material activity to one service provider who should not be contracted by more than one competitor to provide similar services
- ii. The bank will conduct continuous due diligence on the service provider with a view to ensuring that changes in support to competition and others by the provider does not adversely impact of HF as per bullet (i) above
- j) Steps that should be taken to ensure compliance with legal and regulatory requirements in both home and host countries; and Contingency plan in case of business disruptions
 - i. Periodic independent feedback reports e.g. from external auditors & consultants
 - ii. Review report of service providers penalized by the regulator for non-compliance i.e. appearing in this list is an indicator of failings by the service provider
 - iii. Applying the tenets of CDD (Customer Due Diligence) on the Service Provider
 - iv. Joint and scheduled periodic testing of contingency plan