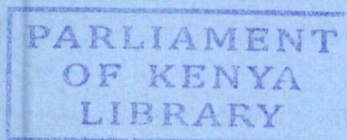


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*paper laid by
Leader of Majority
on 13/09/2017
@humbi.*



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
PUBLIC PROCUREMENT REGULATORY
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2016**



PUBLIC PROCUREMENT REGULATORY AUTHORITY

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NAIROBI

KENYA

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 – 00100, NAIROBI

20 JUN 2017

RECEIVED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

**Prepared in accordance with the Accrual Basis of Accounting Method
under the International Public Sector Accounting Standards (IPSAS)**

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KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

On 7th January, 2016, the Public Procurement and Asset Disposal Act, 2015 came into force. Under the Act, the Public Procurement Oversight Authority (PPOA) was replaced by the Public Procurement Regulatory Authority (PPRA) as the body responsible for monitoring compliance with the procurement law, while the body vested with the management of the Authority was renamed the Public Procurement Regulatory Board.

b) Principal Activities

Section 9 of the Public Procurement and Asset Disposal Act 2015 states that the Authority shall have the following functions:-

- (a) Monitor, assess and review the public procurement and asset disposal system to ensure that they respect the national values and other provisions of the Constitution, including Article 227 and make recommendations for improvements;
- (b) Monitor the public procurement system and report on the overall functioning of it and present to the Cabinet Secretary and the county executive member for finance in each county, such other reports and recommendations for improvements;
- (c) Enforce any standards developed under this Act;
- (d) Monitor classified procurement information, including that of specific items of security organs and make recommendations to the Cabinet Secretary;
- (e) Monitor the implementation of the preference and reservation schemes by procuring entities;
- (f) Prepare, issue and publicize standard public procurement and asset disposal documents and formats to be used by public entities and other stakeholders;
- (g) Provide advice and technical support upon request;
- (h) To investigate and act on complaints received on procurement and asset disposal proceedings from procuring entities, tenderers, contractors or the general public that are not subject of administrative review;
- (i) Research on the public procurement and asset disposal system and any developments arising from the same;
- (j) Advise the Cabinet Secretary on the setting of standards including international public procurement and asset disposal standards;

- (k) Develop and manage the State portal on procurement and asset disposal and ensure that it is available and easily accessible;
- (l) Monitor and evaluate the preference and reservations provided for under this Act and provide quarterly public reports;
- (m) Create a central repository or database that includes—
 - (i) Complaints made on procuring entities;
 - (ii) A record of those prohibited from participating in tenders or those debarred;
 - (iii) Market prices of goods, services and works;
 - (iv) Benchmarked prices;
 - (v) State organs and public entities that are non-compliant with procurement laws;
 - (vi) Statistics related to public procurement and asset disposal;
 - (vii) Price comparisons for goods, services and works; and
 - (viii) Any information related to procurement that may be necessary for the public;
- (n) Inform, as applicable, the Cabinet Secretary, Parliament, the relevant County Executive member for finance, the relevant County Assembly or Auditor-General on issues of noncompliance with procurement laws once the relevant State organ or public entity ignores the written directives of the Authority, including material breaches of the measures established under this Act;
- (o) Generally report to Parliament and the relevant county assembly;
- (p) Develop a code of ethics to guide procuring entities and winning bidders when undertaking public procurement and disposal with State organs and public entities;
- (q) In undertaking its functions, cooperate with state and non-state actors with a view to obtaining recommendations on how public procurement and disposal can be improved;
- (r) Ensure the procurement entities implement the preference and reservations and provide data to the Authority disaggregated to indicate the number of disadvantaged groups that have benefitted;
- (s) Perform such other functions and duties as are provided for under this Act and any other relevant law.

c) Key Management

PPRA's day to day management is under the following:

M.J.O Juma, MBS	Director General
Jane W. Njoroge (Mrs)	General Manager, Technical Services
Rose M. Nyamweya (Mrs)	General Manager, Finance & Admin

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and had direct fiduciary responsibility were:

M.J.O Juma, MBS	Director General
Jane W. Njoroge (Mrs)	General Manager, Technical Services
Rose M. Nyamweya (Mrs)	General Manager, Finance & Admin
Lucy J. Barno (Ms)	Corporation Secretary and Head of Legal & Corporate Affairs
Chris Sakwa	Manager, Finance

e) Entity Headquarters

P.O. Box 58535-00200
National Bank Building, 11th Floor
Harambee Avenue
Nairobi, Kenya

f) Entity Contacts

Tel: +254 20 3244000
Email: info@ppoa.go.ke,
Website: www.ppoa.go.ke

g) Entity Bankers

National Bank of Kenya
Harambee Avenue Branch
P.O. Box 41862-00200
Nairobi, Kenya

h) Independent Auditors

Auditor General
Office of Auditor General
P.O. Box 30084 - 00100
Nairobi, Kenya

i) Principal Legal Adviser

The Attorney General
State Law Office
P.O. Box 40112 - 00100
Nairobi, Kenya

BOARDS OF DIRECTORS

Public Procurement Regulatory Authority (PPRA) hereafter referred to as the Authority) uniquely has two boards; namely the Public Procurement Regulatory Board (hereafter referred to as the Board) and the Public Procurement Administrative Review Board (PPARB hereafter referred to as Review Board). The Regulatory Board advises the Authority generally on the exercise of its powers and the performance of its functions. On the other hand, the Review Board deals with complaints and disputes arising from procurement processes in the Public Sector.

PUBLIC PROCUREMENT OVERSIGHT ADVISORY BOARD (PPOAB)

At the beginning of the financial year 2015/2016, the members of the Public Procurement Oversight Advisory Board (as it then was) had three months remaining to the lapse of their respective terms. The members served until the 25th September, 2015 when their terms expired. The Authority continued for the remainder of the financial year without a Board in place.



Patrick M. Mtange: Chairperson

Mr Mtange has vast experience in finance and accounting having worked in both the public, private and non Governmental organization sectors for over 30 years. As at the end of his term, he was the Finance and Administration Manager - Diakonia Sweden, Africa Region. He has previously worked in the private sector (banking – Barclays Bank), public sector (Civil service – Ministry of Tourism and Wildlife and State Corporation – Kenya Wildlife Service) and the Non Governmental Organization sector.

He also has Board governance experience having served on various boards including; Chairman, Council of the Institute of Certified Public Accountants of Kenya (ICPAK), Board member of the Pan African Federation of Accountants Board -PAFA), Board member KCA and Daystar Universities and board member and subsequently Chairman of PPOAB.

He holds a Bachelor of Commerce (Accounting Option), a Certified Public Accountant of Kenya - CPA (K) and Fellow of the Institute of Certified Public Accountants of Kenya – FCPA (K).

BOARDS OF DIRECTORS CONTINUED



Martha K. Mugambi: Vice-Chairperson

Martha Mugambi has held various leadership positions for over 26 years. She was a long serving staff of the Standard Chartered Bank PLC and employee of the Ministry of Community Development and Social Services. As at the end of her term, she was the Chair of the following bodies: Kenya National Chamber of Commerce (Women in Business Committee Board); Board of Governors of the Meru College of Science and Technology and Business; Professional Women's Club, Nairobi and Kahawa Maximum Prison Juvenile Rehabilitation Program.

As at the end of her term, she was a trustee for the following: PPOA Staff Pension Fund; Regina Pacis University College and Ameru Professional Association. She is the founder and Director of International Development Centre for Africa and was also a member of the Standing Committee on Human Rights, Kenya. Martha is a trained Social Worker from the Institute of Social Studies in Oudenbosch Holland {1962-65} and a trained Teacher from Igoji Teachers Training College, Meru.



Eng Reuben K. Kosgei: Member

Eng Reuben Kosgei is a distinguished mechanical engineer with over 41 years experience gained from service in both the public and private sector. As at the end of his term, he was a partner in Associated Services Consultants - Mechanical and Electrical Consulting Engineers and Chairman and Fellow of the Institute of Engineers of Kenya (FIEK). He was a partner at Kaburu Okelo and Partners; a Principal Maintenance Engineer at Kenya Bureau of Standards, a Mechanical Engineer and an Assistant Engineer with the Ministry of Public Works. He underwent practical training locally and in the United Kingdom.

Eng. Kosgei is a registered consulting engineer with the Engineers Board of Kenya (EBK). He holds a BSc (Mechanical Engineering) from the University of Nairobi and a Postgraduate Diploma in Environmental Engineering and Design from Polytechnic of the South Bank, London.

BOARDS OF DIRECTORS CONTINUED



Faith N. Kimani: Member

Faith Kimani has over 27 years of experience gained from the private sector. She is a registered quantity surveyor and as at the end of her term she was working for Barker and Barton (Kenya) as a senior project quantity surveyor. She previously worked for Miguna Consultants as a Quantity Surveyor and associate director.

She is a member of the Architectural Association of Kenya and is a council member of the Quantity Surveyor's chapter.



Fred Odhiambo: Member

Fred Odhiambo has over 28 years work experience in various positions held both in the private and public sector. As at the end of his term, he was the Group Sales and Marketing Director at Riley Security Group. He has previously served as CEO of Postal Corporation of Kenya; Head of Marketing, Barclays Bank and Regional Marketing Manager, Standard Chartered Bank.

He holds a B.Com (Marketing) degree from the University of Nairobi and a Diploma in sports from Kenya National Sports Council.

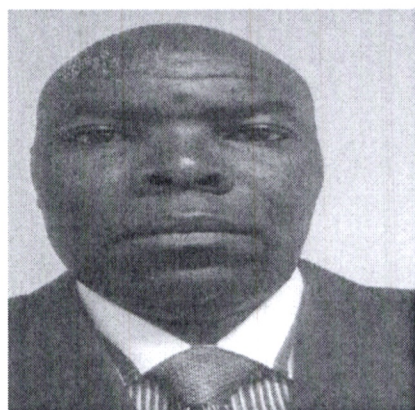
BOARDS OF DIRECTORS CONTINUED



Joyce M. Njogu: Member

Joyce Njogu is a Business Development, Marketing and Strategic Management professional with 16 years work experience in both the Public and Private Sector. As at the end of her term, she was the Head of Consulting at the Kenya Association of Manufacturers. She has previously worked with the Sports Stadia Management Board as a Sales and Reservations Officer, Development Manager at Association of Chartered Certified Accountant (ACCA) and Kenya Postel Directories Ltd as a Sales Executive.

Joyce holds an MBA (Strategic Management) from University of Nairobi, Bachelor of Education (Moi University), Postgraduate Diploma (Marketing) from Chartered Institute of Marketing (CIM, UK) and Executive practitioner's certificate in Marketing Management from Marketing Society of Kenya (MSK). She is a chartered marketer and member of CIM (UK), MSK and Kenya Institute of Management (KIM). Further she is an Executive Coach with a certificate from the Academy of Executive Coaching (AoEC); and a graduate of Female Future Kenya program offered by Federation of Kenya Employers.



Livingstone Bumbe: Member

Mr Livingstone Bumbe is an alternate to the Cabinet Secretary/National Treasury on the Board. He is an Assistant Director, Debt Management at the National Treasury

He holds a Master's in Public Sector Management from the Africa University, Mutare, Zimbabwe and a Bachelor of Arts from the University of Nairobi.

BOARDS OF DIRECTORS CONTINUED



Lawrence M. Ngugi: Member

Mr. Lawrence Ngugi is an alternate to the Attorney General in the Board. He is an advocate of the High Court of Kenya with over 15 years practice in various fields of law. He is currently the Ag. Registrar, Nairobi Centre for International Arbitration and a Senior Principal Litigation Counsel (Head of Commercial and Arbitration Division of the Civil Litigation Department) at the Attorney General's office.

He was a member of the Taskforce on the Dissolution of the Defunct Electoral Commission of Kenya (ECK), in 2008.

He holds a Bachelor of Law (LLB) from Mysore University, India; Post Graduate Diploma in Law from the Kenya School of Law; MA (International Studies) from the University of Nairobi; BA Hons. (Econ) from Punjab University, India. He is also an Alumnus of the National Defence College (NDC) Kenya and a Certified Public Secretary (CPSK).



Ms. Ruth T. Ngobi: Member

Ms. Ruth Ngobi is an Advocate of the High Court of Kenya of 31 years standing and Certified Public Secretary. She worked with Unilever Kenya Limited for 15 years as Company Secretary and Legal Counsel before joining British American Tobacco Kenya Ltd in 2002 as Company Secretary and Area Legal Counsel. In 2010, she founded Cossec Solutions which provides company secretarial services and corporate governance solutions to various companies.

Ms. Ngobi holds a Bachelor of Laws Degree from University of Kent at Canterbury UK and a Masters of Law from the University of Cambridge UK. As at the end of her term, she was a Non-Executive Director on the Boards of CFC Stanbic Bank Limited and CFC Stanbic Holdings Limited.

BOARDS OF DIRECTORS CONTINUED



Maurice J.O Juma, MBS: Director General, PPRA and Secretary to the Board

Mr. Juma has over 27 years experience in procurement and supplies management during which he has headed various procurement units and Departments in the public sector.

He holds a Master of Science in Purchasing and Logistics from University of Salford (UK), Master of Business Administration, Bachelor of Commerce and professional Diploma in Supplies Management.

PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW BOARD



Mr. Paul Gicheru: Chairperson

Mr. Gicheru is an advocate of the High Court of Kenya and has been in practicing law for more than 18 years. He is also a Commissioner of Oaths and a Notary Public. He is the proprietor of M/s Gicheru and Company Advocates and was previously an Associate at M/s Kalya and Company Advocates.

He holds a Bachelor of Law (LLB) degree from the University of Nairobi and a Post Graduate Diploma from the Kenya School of Law.



Mr. Nelson K. Orgut: Member

Nelson Orgut has vast experience in the tea industry spanning 42 years. He is an independent Director of Cianda Holdings Ltd and Ngorongo Tea Factory Ltd, Kiambu.

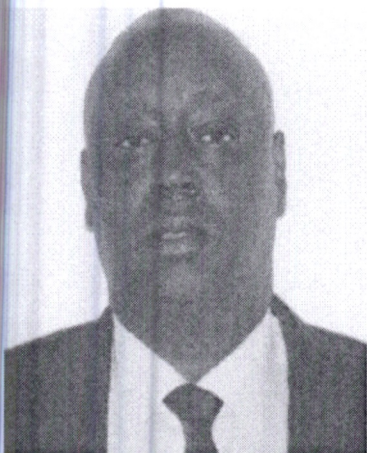
He has served both as an Executive and a Director of the James Finlay Ltd. He retired as the Operations Director. He was also the Chairman of the East African Tea Trade Association (EATTA) Committee in Mombasa.

BOARDS OF DIRECTORS CONTINUED



Mr. Peter B. Ondieki, MBS: Member

Peter Ondieki has a distinguished public service career spanning over 36 years in economic planning and management. He has served in senior management positions as:- Director of Programs, Relief and Rehabilitation Department-Office of the President; Secretary, Poverty Eradication Commission-Office of the President; Director, Monitoring and Evaluation Department-Ministry of Planning and National Development; and Inspector General, Inspectorate of State Corporations - Office of the President.



Mr. Paul Ngotho: Member

Paul Ngotho is the proprietor of Ngotho Property Consultants Ltd. He is an arbitrator, adjudicator, registered valuer & estate agent. He has previously worked at Stapleton Long, Chartered Surveyors, London where he held the position of Valuation Surveyor and Property Manager; and as the Property Manager at Arab Investments Ltd, London.

He holds a BA (Land Economics) and is a Fellow at the Chartered Institute of Arbitrators' (FCI Arb, UK) and Institute of Surveyors of Kenya (FISK). He is also a member

of the Royal Institute of Chartered Surveyors (MRICS, UK).



Eng. Weche R. Okubo, OGW: Member

Eng Weche Okubo was a career civil servant with 35 years experience in public service. He started working at the level of Asst. Engineer and retired as Chief Electrical and Mechanical Engineer (Building Services). Eng Okubo is a council member of the Institute of Engineers of Kenya (IEK). He is also a Board member of the Bible Society of Kenya.

He holds Bsc (Mechanical Engineering); Post Grad Dip (Environmental Engineering); FIEK; R.Cons.Eng; PE, CEng and MCIBSE.

BOARDS OF DIRECTORS CONTINUED



Mrs. Josephine W. Mong'are: Member

Mrs. Josephine W. Mong'are is an advocate of the High Court of Kenya with 25 years post admission qualifications. She is currently in private practice (M/s Wambua, Mbindyo & Makau Advocates). She has previously worked with the Anti Corruption Commission (Now EACC) and has also served in various Boards including: Nairobi Water and Sewerage Company, the National Council for Administration of Justice (NCAJ), Law Society of Kenya (LSK-CCLE). She is the current Chairperson of the Federation of Women Lawyers (FIDA- Kenya).

She holds; Masters of Law (LLM), Bachelor of Law (LLB) as well as a post graduate diploma in Legal Studies/Practice.



Mr. Hussein Were: Member

Hussein Were has over 26 years' experience in quantity surveying and project management. He also has 8 years experience in the field of governance and forensic investigation. Mr. Were is the Honorary Treasurer and member of Governing Council of the Architectural Association of Kenya; as well as Principal Partner and founder of Fanisi Consultants, a quantity surveying and project management firm.

He holds an MA (Building Management) and a BA (Building Economics) from the University of Nairobi.

BOARDS OF DIRECTORS CONTINUED



Mrs Gilda A. Odera: Member

Mrs Gilda Odera has 26 years work experience 11 years of which were in the Marketing Services sector and 15 years in the ICT sector. She is the founder and Managing Director of Skyweb Technologies Ltd and Skyweb -Evans Company Ltd. Gilda is a leading pioneer in the Business Process Outsourcing industry and is currently providing advisory services on the same.

She serves and has served on several boards in various capacities including Board Member NHIF where she is the Chairperson of the Executive Committee, Board Member of Federation of Kenya Employers, Council Member Kirinyaga University College, Vice Chair ICT Sector Board - KEPSA, Board Member TESPOK, Chairperson Kenya Business Process Outsourcing Association, Chairperson IT Enabled Services Advisory Group, Board Member Computer Society of Kenya, Council Member Marketing Society of Kenya, President Rotary Club of Milimani.

She is currently a PhD student in Public Policy Management and Leadership and holds an MA in Leading Innovation and Change and a BA in Sociology.



Mrs Rosemary K. Gituma: Member

Rosemary Gituma has over 20 years top management experience in accounting & financial management, administration, supply chain, strategy, governance and internal audit in both public and private sectors. Since 2000 she has been working with East Africa Portland Cement Company (EAPCC) LTD in various capacities as Internal Audit Manager, Finance Manager, Ag Head of Financial Management, Board Director-EAPCC Uganda and Trustee & Trust Secretary- EAPCC Staff Retirement Benefits Scheme.

Previously she worked with Numerical Machining Complex (Finance & Administration Manager), Nairobi Bottlers (Treasury & Operations Accountant), Care Kenya (Accountant Consultant) and Kenya Airways (Management

BOARDS OF DIRECTORS CONTINUED

Trainee/Budget Accountant). She has served as Council Member & Vice- Chair, ICPAK. She is a member of Institute of Directors (Kenya), ISACA and AWAK.

She is a Certified Public Accountant (CPAK) and holds an MBA (Accounting & Finance), B.Com Degree (Accounting Option), Advanced Management Program (AMP) diploma, Executive Education-Strategy, awarded Corporate Governance Certificate and she is a PhD Student.

MANAGEMENT TEAM



M. J.O. Juma, MBS
Director General
MSc (Proc& Logistics) –UK, MBA,
B.Com, MCIPS, Dip (Purchasing
& Supplies)



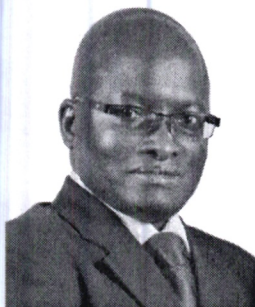
Mrs Jane W. Njoroge
G M (Technical Services)
MBA, B.Com, Dip Purchasing &
Supplies), MCIPS, MKISM



Mrs Rose M. Nyamweya
G M (Finance & Admin)
PhD (Finance – Ongoing), MBA (Finance),
B com (Accounting), CPA (K), CPS (K)



Julius G. Mungai
Manager, Internal Audit
MBA, MA, BA, CPA (K), CPS (K), CISA



Peter K Ndung'u
Manager, Policy & Research
MA (Econ), BA (Econ)
Dip (Purchasing & Supplies)-UK



Henock Kirungu
Manager, ARB Secretariat
MBA, B.Com, Dip (Purchasing &
Supplies–final), PGD (Computer Sci)

MANAGEMENT TEAM CONTINUED



James K. Kihara
Manager, HR & Admin
MBA, BA(Hons), MCIPS



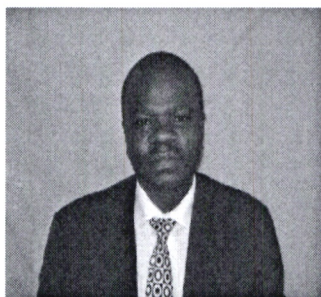
Lucy J. Barno
Corporation Secretary, Head of Legal & Corporate Affairs
LLM (Candidate), LLB, Dip (Law),
CPS (K), Advocate of the High Court



Thomas O. Otieno
Manager, Capacity Building
MSc (Proc& Logistics), BA,
Dip(Purchasing &Supply mgt)



Pauline O Opiyo
Manager, Compliance
MSc (Proc& Logistics), BA,
CIPS GDip (Purchasing & Supply mgt)



Jerome Ochieng
Manager, ICT
M. Eng (Information Eng) Japan,
B.Sc (Math/Comp), Dip (IMIS)
(On secondment as Ag. Director, IFMIS)



Chris Sakwa
Manager, Finance
MBA, BBM, CPA (K)

STATEMENT BY THE CHAIRMAN ADVISORY BOARD

During the financial year under review, the Authority continued to record good performance in execution of its mandate due to; a consistent strategy, a committed Oversight Board; management and staff team, and above all a supportive National Treasury. The Board is confident that implementation of the Authority's strategic plan and the ongoing Public Finance Management Reforms will continue to drive increased efficiency in the public procurement and asset disposal system and contribute to social economic benefits for citizens.

Strengthening of the Regulatory Framework

Public procurement is not only a business tool through which the government acquires goods and services; but is also a vehicle that facilitates service delivery to citizenry and delivery of the government's development agenda through implementation of projects notable ones being the infrastructure projects besides being a tool for socio-economic development.

A review of the legal framework governing public procurement to ensure a public procurement and asset disposal system that is fair, equitable, transparent, competitive and cost effective as envisaged under Article 227 of the Constitution 2010 was undertaken. The review culminated in enactment of the **Public Procurement and Asset Disposal Act No. 33 of 2015 (PPADA, 2015)** which came into force on 7th January 2016. The Public Procurement and Asset Disposal Regulations are under review.

Apart from addressing gaps that were inherent in the repealed Public Procurement and Disposal Act 2005 (PPDA 2005), the new law transformed the Authority from an Oversight Institution to a **Regulator**.

Reforms in Public Procurement

Public Procurement and Asset Disposal has not been left behind as far as implementation of the Public Finance Management Reforms (PFMR) is concerned. Some of the reforms under implementation include; implementation of e-procurement and expansion of the e-procurement platform to all government operations, development of Codes of Ethics for Suppliers and Procurement Practitioners and development of a curriculum for certification of procurement professionals in an effort to promote professionalism.

Contribution of Public Procurement to Socio-economic Development

The Social pillar of Vision 2030 envisages a just and cohesive society enjoying equitable social development in a clean and secure environment. One of the measures the Government has adopted to realize this goal is by embracing public procurement as a tool for socio-economic development. The Access to Government Procurement Opportunities (AGPO) programme has promoted entrepreneurship among the youth, women and persons with disability by giving them an opportunity to do business with the Government. The venture into entrepreneurship by the target groups has resulted in a robust SME sector, creation of job opportunities and wealth creation. Kenya's robust SME sector contributes to approximately 70% of employment opportunities in the country and 45% of the GDP.

Corporate Governance

Strong Corporate Governance is integral to the Board's long-term success and is essential in delivering the Authority's strategy. The various Board committees continue to play their role in supporting the Board in discharging its duties. The Statement of Corporate Governance included in this report details measures that the Board has undertaken to ensure a robust corporate governance environment. For the first time the Authority participated in the Annual Financial Reporting (FiRe) Awards held in October 2015 under the public sector category. This is a confirmation of the Board's commitment to high standards of financial reporting and good corporate governance.

Conclusion

Delivering and implementing the desired growth and services will require hard work, resilience and commitment on the part of the Board, management and staff of PPRA who I have no doubt are up to the task. Also, we look forward to the continued support of National Treasury, donors and other key stakeholders.

We look to the future with confidence.



L. Bumbe

For: Chairman, PPOAB

DIRECTOR GENERAL'S STATEMENT

Public procurement is the vehicle through which most government projects are implemented. Procurement spend constitutes about 30% of the budgets of Ministries, Departments and Agencies (MDA's). Public Procurement Regulatory Authority (PPRA) is one of the Public Financial Management (PFM) oversight institutions that play a critical role in ensuring efficiency, effectiveness, transparency and accountability in the use of public finances. Towards this end, PPRA monitors implementation of the public procurement system to ensure compliance with the public procurement law and regulations so as to achieve the following objectives: maximize economy and efficiency; promote competition and ensure that competitors are treated fairly; promote the integrity and fairness of procurement and disposal procedures; increase transparency and accountability in those procedures; increase public confidence in those procedures; and facilitate the promotion of local industry and economic development.

In financial year 2015/2016, good progress was made towards achievement of the above objectives and execution of the Authority's mandate. Highlights of milestones and key achievements realized include:

The **Policy, Legal and Regulatory framework** governing public procurement and asset disposal is articulated by Article 227 of the Constitution of Kenya 2010 and underscores the need for a public procurement and disposal system that is fair, equitable, transparent, competitive and cost effective. A review of the old framework was completed and ushered in a new legal and regulatory framework with enactment of the **Public Procurement and Asset Disposal Act No. 33 of 2015 (PPAD Act 2015)** which came into force on 7th January, 2016. A task force appointed by the National Treasury is drafting the Public Procurement and Asset Disposal Regulations. The new law and draft regulations seek to among others: address the gaps inherent in the repealed law & challenges in its implementation; improve the ease of doing business with the Government; spur economic growth by supporting local industry and target groups as well as respond to the requirements of the Constitution of Kenya 2010.

To inculcate ethical conduct in public procurement, the Authority in consultation with stakeholders has developed **Codes of Ethics for Suppliers and Procurement Practitioners**. The codes were validated at stakeholder fora that were held across the country.

Capacity building amongst the stakeholders is an integral part of the implementation of the procurement law. During the financial year under review, the Authority's capacity building initiatives focused on County Government staff involved in public procurement (procurement professionals and tender

committees) and the target groups under the Access to Government Procurement Opportunities (AGPO) initiative.

A total of 2,214 persons were trained in the first half of the financial year. This included 1,157 procurement professionals and tender committee members from 11 counties; and 1,057 youth, women and persons living with disability registered under the AGPO initiative. No trainings were conducted in the second half of the financial year as the PPAD Act, 2015 which came into force on 7th January, 2016 does not explicitly indicate this function as part of the mandate of the Authority.

Public Procurement Administrative Review is an alternative dispute resolution mechanism for public procurement disputes provided for under the law. In the year under review, the **Public Procurement Administrative Review Board (PPARB)** received eighty (80) applications for procurement review with majority of the applications (44 representing 55.7%) being lodged in the second half of the financial year. Out of the 80 applications for review; 42 were successful, 29 were unsuccessful, 6 were withdrawn with 3 pending determination as at end of June 2016. Applications for review heard and determined during the period under review recorded a 59.15% success rate. The average duration for hearing and determining cases was 21 days against the statutory timeframe of 30 days.

Ensuring **compliance to the legal framework governing public procurement** in the country is part of the Authority's key mandates. The Authority monitors compliance to the Public Procurement and Asset Disposal Act and regulations through various ways including; analysing quarterly procurement reports submitted by procuring entities, conducting procurement assessments, procurement reviews/audits and investigations.

Overall compliance to the procurement law and regulations has significantly improved but a lot more still needs to be done to ensure full compliance. The Authority continues to design innovative ways of improving the compliance levels. These include; partnerships, collaborations and sharing of information with other PFM oversight institutions and agencies involved in the fight against graft; partnering with the National Treasury in implementation of e-procurement and customization of the monitoring strategy of the procurement & disposal situation using OECD-DAC maps.

The Authority continues to work closely with both the National and County Governments to support Government policy on public procurement and devolution. The Authority supported County Government efforts to have efficient

procurement systems in place through training and capacity building initiatives in 11 counties. It is expected that these efforts will improve compliance to the public procurement legal framework by the beneficiary counties.

Collaborations: The Authority works closely with The National Treasury and other Government Agencies involved in the fight against graft as well as Public Finance Management (PFM) oversight institutions. Further, the Authority collaborates with other public procurement regulators of member states of the East African Community to harmonise public procurement practises in the region and facilitate information sharing.

Risk management is an integral part of the Authority's Strategic Management. PPRA realizes the centrality of risk management in the Authority and has continuously advocated for an overarching risk management culture in strategy implementation.

The Authority has developed a robust risk management framework in line with the Committee of Sponsoring Organizations (COSO) requirements. The risk management framework is implemented through a number of activities which include:

- i) Development of the Authority's Risk Management Policy;
- ii) Development of departmental risk registers;
- iii) Mapping out of key risks facing the Authority;
- iv) Establishing the risk mitigation strategies;
- v) Staff training on risk and risk management; and
- vi) Review of the Risk Management Policy Framework

To improve **Service Delivery** to our customers and stakeholders, the Authority adopted a three pronged approach; implementation of a Quality Management System, devolution of services and strengthening institutional capacity to deliver on its mandate.

I am pleased to inform our customers and stakeholders that the Authority is now **ISO Certified**. The Authority was ISO Certified by the Kenya Bureau of Standards (KEBS) during the year after successful implementation of the ISO 9001:2008 Quality Management System. The Authority is committed to continuously improving the quality of services it offers to the public and other stakeholders. This is done through regular reviews of our service delivery models as well as embracing innovation to improve efficiency and effectiveness in service delivery.

To ensure reasonable access to its services in all parts of the Republic as envisaged under article 6(3) of the Constitution of Kenya 2010 and section 8(3) of the PPADA 2015, the Authority has begun to devolve its services. Towards this end two regional offices have been set up in Mombasa and Kisumu with more set to be opened in other regions in future. The Mombasa and Kisumu offices will be operationalized in financial year 2016/2017.

Institutional Capacity: PPOA appreciates that in order to effectively and efficiently discharge its mandate it needs excellent people, excellent systems, excellent processes and excellent technologies. It is out of this realization that over the last three years, the Authority has been investing in building its institutional capacity both in terms of the human capital and technological systems. The Authority has invested heavily in staff training to equip staff with requisite skills and competencies; infrastructure especially ICT systems as it leverages on ICT to improve service delivery; collaborations and partnerships with other government institutions both within and outside our borders, institutionalizing risk management and strengthening corporate governance among other initiatives.

APPRECIATION

I wish to thank the Government for its continued support to the Authority through the budgetary allocation and other resource requirements, the Public Procurement Regulatory Board (PPRB) for steering the Authority in a clear strategic direction to achieve its goals and objectives; and the Management and staff of the Authority for their continued dedication and hard work to ensure service delivery to the public.



M.J.O JUMA, MBS
DIRECTOR GENERAL

CORPORATE GOVERNANCE STATEMENT

The Management of the Public Procurement Regulatory Authority (formerly the Public Procurement Oversight Authority) is committed to maintaining the highest standards of corporate governance. This statement describes PPRA's governance principles and practices.

The Authority has two boards namely; the **Public Procurement Regulatory Board (the Regulatory Board)** and the **Public Procurement Administrative Review Board (the Review Board)**. The roles of the two boards and that of the Director General are distinct from each other but generally fit and feed into the achievement of the Authority's goals, objectives and mandate.

At the beginning of the financial year 2015/2016, the members of the Public Procurement Oversight Advisory Board (as it then was) had three months remaining to the lapse of their respective terms. The members served until the 25th September, 2015 when their terms expired. The Authority continued for the remainder of the financial year without a Board in place.

On 7th January, 2016, the Public Procurement and Asset Disposal Act, 2015 came into force. Under the Act, the Public Procurement Oversight Authority was repealed and replaced by the Public Procurement Regulatory Authority as the body responsible for monitoring compliance with the procurement law, while the body vested with the management of the Authority was renamed the Public Procurement Regulatory Board. As at the close of the financial year, the Public Procurement Regulatory Board had not been constituted.

The governance practices contained in this statement are those put in place by the Public Procurement Oversight Advisory Board (as it then was) for the three months it was in existence in the first quarter of the financial year.

The Role of the Public Procurement Oversight Advisory Board

The Advisory Board of PPOA is responsible for the long-term sustainability and success of the Authority. Its role is essentially three fold:

- To provide strategic leadership,
- To oversee management and
- To ensure that the Authority provides its stakeholders with a balanced and understandable assessment of its current position and prospects.

The specific functions of the Advisory Board are:

- i) To advise the Authority generally on the exercise of its powers and the performance of its functions;
- ii) To approve the estimates of the revenue and expenditures of the Authority;
- iii) To recommend the appointment or termination of the Director-General in accordance with the Act;
- iv) To approve debarment of persons and
- v) Perform such other functions and duties as are provided for under the Act.

The Advisory Board's leadership responsibilities involve working together with management to set corporate values and to develop strategy; including which risks it is prepared to take in pursuing its strategic objectives. Its oversight responsibilities involve providing constructive challenge to the management team in relation to operational aspects of the Authority's business, including approval of budgets and probing whether risk management and internal controls are sound. It has the responsibility of ensuring that timely and understandable information is provided to stakeholders.

The Board has delegated the responsibility of management of the Authority to the Director General, who is the Chief Executive Officer and the management team. The main areas where the decisions remain with the Board are the approval of budget and annual corporate plan, approval of policies and approval of financial statements. The Board is also responsible for setting the Authority's risk management policy

As is good corporate governance practice, the Board has delegated some of its responsibilities to committees of the Board. The composition and activities of the committees are detailed later in this report. The Board receives reports at its meetings from the Chairmen of each of the committees on their current activities.

Board Independence, Separation of Roles and Responsibilities

A clear division of responsibility exists between the Chairman who is non-executive, the non-executive Board members and the Director General. Each of the responsibilities are clearly set out in writing.

Meetings Attended By Board Members

The law provides that the Board shall hold at least one meeting in every quarter. The Board holds regular scheduled meetings in every year and special meetings as and when necessary. In case of non-attendance of a Board member, the information is communicated to the Chairman in advance.

The table below shows Board membership and attendance at scheduled Board meetings in the financial year.

Name	Title	Sector (Public or Private)	Nominating Body	Full Board attendance FY 2015/16
Mr. Patrick Mahonga Mtange	Chairman	Private Non-Executive	Institute of Certified Public Accountants of Kenya (ICPAK)	6 of 7
Mrs. Martha Karwitha Mugambi	Vice Chairman	Private Non-Executive	Kenya National Chamber of Commerce and Industry	6 of 7
Eng. Reuben Kiplangat Kosgei	Board member	Private Non-Executive	Institution of Engineers of Kenya	7 of 7
Mrs. Faith Njeri Kimani	Board member	Private Non-Executive	Architectural Association of Kenya	7 of 7
Ms. Ruth Theddesia Ngobi	Board member	Private Non-Executive	Institute of Certified Public Secretaries of Kenya (ICPSK)	5 of 7
Ms. Joyce Muthoni Njogu	Board member	Private Non-Executive	Marketing Society of Kenya	6 of 7
Mr. Fred Abednego Odhiambo	Board member	Private Non-Executive	Kenya Association of Manufacturers	7 of 7
Mr. Livingstone Bumbe	Board member	Public Non-Executive	Alternate to the Cabinet Secretary, National Treasury	4 of 7
Mr. Patrick Muiruri Ngugi	Board member	Public Non-Executive	Alternate to the Attorney General	4 of 7

The Board Secretary who is also the Director General, is responsible for implementing the decisions of the Board and the day to day operations of the Authority.

The Corporation Secretary provides administrative support to the operations of the Board and convenes Board meetings as directed by the Chairman of the Board. The Board Secretary provides advice on corporate governance principles and plans and

also on the implementation of corporate governance programs such as Board evaluation. The Corporation Secretary is an advocate of the high court, qualified certified public secretary and a member of the Institute of Certified Public Secretaries (ICPSK) in good standing.

Board Committees and Responsibilities

The Board discharges its functions through committees. All committees of the Board are chaired by a member of the Board. A number of members of the management team are incorporated in the Board Committees as invitees to add value to key Board decisions. This structure ensures that the Board pays attention to critical areas of the Authority's business and provides timely guidance on arising opportunities and mitigation of risks.

Audit, Risk and Governance Committee

The terms of reference of the Authority's Audit, Risk and Governance Committee are drawn from the Treasury Circular No.16/2005 of 4th October 2005. The purpose of the Audit Committee is to support the Authority to enhance oversight over governance, internal controls and risk management in service delivery.

The membership comprises of non-executive board members including a representative of the Principal Secretary, National Treasury. A Chairperson is elected by members of the committee by majority vote. The manager of Internal Audit or his/her representatives provides the Audit Committee with secretariat services while the manager of finance, procurement and internal audit form part of the technical team to guide the committee but have no voting power. Other technical team representatives are co-opted as and when required.

The audit committee meets at least four times a year. Its responsibilities are to:

- i) Evaluate adequacy of management procedures with regard to issues relating to risk management, internal controls and governance.
- ii) Review and approving the audit charter and the internal audit annual work plans.
- iii) Review the internal and external audit findings and recommendations and proposing corrective and preventive action where necessary.
- iv) Review the systems established to ensure sound financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics.

- v) Initiate special audit/ investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Director-General.

Audit, Risk and Governance Committee attendance schedule

Name	Title	Sector (Public or Private)	Nominating Body	Attendance FY 2015/16
Ms. Ruth Theddesia Ngobi	Chairperson	Private Non-Executive	Institute of Certified Public Secretaries of Kenya (ICPSK)	2 of 2
Ms. Joyce Muthoni Njogu	Board member	Private Non-Executive	Marketing Society of Kenya	2 of 2
Mr. Fred Abednego Odhiambo	Board member	Private Non-Executive	Kenya Association of Manufacturers	2 of 2
Mr. Livingstone Bumbe	Board member	Public Non-Executive	Alternate to the Cabinet Secretary, National Treasury	2 of 2
Mr. Patrick Muiruri Ngugi	Board member	Public Non-Executive	Alternate to the Attorney General	0 of 2

Finance & Administration Committee

This Committee deliberates on Human Resource, Financial, Budgetary and Administrative issues of the Authority. Its responsibilities include:

- (i) To ensure prudent financial management and compliance to statutory financial regulations.
- (ii) To provide a general overview to the Authority on the achievement of corporate objectives.
- (iii) To monitor the Management's strategy toward ensuring efficiency and integrity of the Authority's procurement systems.
- (iv) Ensuring that the Authority upholds Government policy on performance contracting in the Public Sector and other statutory obligations.

- (v) To ensure that the Authority has optimum and well trained and motivated human resource capacity to deliver its mandate.
- (vi) To ensure effective operation of the Administrative Review Board Secretariat.
- (vii) To advise on strategies on how the Authority can relate with the key stakeholders appropriate to the committee.
- (viii) To advise on human resource policy consistent with the changing needs of the Authority.
- (ix) To advise on office facilities and acquisition and maintenance of new assets of the Authority.
- (x) Provide oversight role over the implementation of the strategic plan.
- (xi) Reviewing the management of the Pension Scheme on behalf of the Board to ensure that the obligations of the Authority are discharged.
- (xii) To deliberate and make recommendations to the Advisory Board all matters relating to the welfare of the members of Administrative Review Board and Advisory Board.

Finance & Administration Committee attendance schedule

Name	Title	Sector (Public or Private)	Nominating Body	Attendance FY 2015/16
Mr. Fred Abednego Odhiambo	Chairman	Private Non-Executive	Kenya Association of Manufacturers	3 of 3
Mrs. Martha Karwitha Mugambi	Member	Private Non-Executive	Kenya National Chamber of Commerce and Industry	2 of 3
Ms. Ruth Theddesia Ngobi	Member	Private Non-Executive	Institute of Certified Public Secretaries of Kenya (ICPSK)	2 of 3
Mr. Livingstone Bumbe	Member	Public Non-Executive	Alternate to the Cabinet Secretary, National Treasury	3 of 3

Capacity Building and Communication Committee

The role of the Committee is to assist the Board on matters relating to the education of public entities and creation of awareness of the public procurement and disposal systems amongst stakeholders.

Its responsibilities include:

- i) To advise on Capacity Building and Communication policies of the Authority;
- ii) To advise and guide the Board on the review of Capacity Building strategies of the Authority;
- iii) To advise and guide the Board on programs relating to dissemination of information to stakeholders;
- iv) To advise on Corporate Social Responsibilities and Corporate image of the Authority; and
- v) To advise on Information and Communication strategies of the Authority.

Capacity Building Committee attendance schedule

Name	Title	Sector (Public or Private)	Nominating Body	Attendance FY 2015/16
Eng. Reuben Kiplangat Kosgei	Chairman	Private Non-Executive	Institution of Engineers of Kenya	2 of 2
Mrs. Martha Karwitha Mugambi	Member	Private Non-Executive	Kenya National Chamber of Commerce and Industry	2 of 2
Mrs. Faith Njeri Kimani	Member	Private Non-Executive	Architectural Association of Kenya	2 of 2
Ms. Joyce Muthoni Njogu	Member	Private Non-Executive	Marketing Society of Kenya	2 of 2

Compliance Committee

The Committee's functions are to:

- i) Advise on public procurement policy matters on compliance and amendments to the Act and the Regulations proposed by PPOA.
- ii) Advise on strategies to be used by the Authority to ensure compliance with the procurement law.

- iii) Review and recommends to the Board on the proposed best practices for benchmarking.
- iv) Advice on extent and mode of collaborations with other watchdog agencies.

Compliance Committee attendance schedule

Name	Title	Sector (Public or Private)	Nominating Body	Attendance FY 2015/16
Mrs. Faith Njeri Kimani	Chairperson	Private Non-Executive	Architectural Association of Kenya	2 of 2
Eng. Reuben Kiplangat Kosgei	Member	Private Non-Executive	Institution of Engineers of Kenya	2 of 2
Ms. Joyce Muthoni Njogu	Member	Private Non-Executive	Marketing Society of Kenya	2 of 2
Mr. Patrick Muiruri Ngugi	Member	Public Non-Executive	Alternate to the Attorney General	1 of 2

Board Remuneration

The non-executive Board members are paid taxable sitting allowance as approved by the Minister responsible for finance following guidelines from the State Corporations Advisory Committee. The Chairman is paid honoraria at a rate approved by the Government. Transport expenses are reimbursed on travel for Board business at the prevailing Automobile Association of Kenya (AA) rates. The members are also entitled to outpatient and inpatient medical cover, and a personal accident cover.

Board Development

During the year, several trainings were held for the Board that were considered necessary for the continued discharge of their functions. Board members attended training offered by the Institute of Directors, London that emphasized on the directors role in leading the organization. Although an Induction programme on *Mwongozo* had been scheduled for December, 2015, the term of the Board ended before the training materialized.

Board Effectiveness and Evaluation

The Board conducts an annual evaluation of the Board as an entity, its committees and each individual Board member to gauge performance. During the year, the Board carried out an evaluation of its performance in the 2014/2015 financial year. The Board evaluation was facilitated by a representative from the State Corporations Advisory Committee.

Some of the areas assessed during the evaluation are whether the Board had properly interpreted and understood the Authority's mandate and strategy; whether the Board defines and disseminates its functions on annual basis; whether the Board evaluates the Director General on an annual basis; board meeting management and procedure; and information and communication to Board members.

The Board attained an overall composite score of 4.6 out of a possible 5, which was rated as very good.

Conflict of Interest, Code of Conduct and Ethics

The Board has developed a Code of Conduct, Ethics and Performance Manual to guide the Board members and staff of the Authority on ethical conduct.

The code requires that all Board members and employees disclose any interest that conflicts or may possibly conflict with the interests of the Authority. If a conflict of interest is declared, it is a requirement that the Board member affected is excluded from any discussion or decision over the matter in question.

All Board members and staff of the Authority declared their wealth as required to the Public Service Commission.

Sustainability

The Authority continues to be fully supported by Exchequer grants. The Board confirms that with the support from the Government, the Authority will continue in business for the foreseeable future. For this reason, the Authority continues to adopt the going concern basis when preparing financial statements.

Risk Management and Internal Control

The Board has put in place a comprehensive risk management framework which identifies and manages risk. The following have been identified as the three key risks facing the organization:-

- a) Compliance Audit Risk
- b) High employee turnover
- c) Inadequate funding

The Audit, Risk and Governance Committee of the Board regularly reviews the effectiveness of the internal control system. The Manager, Internal Audit reports directly to the Board Committee and serves as its secretary.

PPRA Internal Procurement Policy

The Advisory Board approved the PPRA Procurement Policy and Procedures manual in September 2015. The policy to entrench best practice in the Authority's internal procurement system and improve efficiency, ensure compliance to the procurement law as well as enhance internal quality service delivery and make the Authority's procurement function a centre of excellence which other institutions can emulate.

PPRA staff involved at every step of the procurement process take full responsibility for understanding the policies and procedures regarding the entire procurement and disposal cycles with the view that decisions made on behalf of PPRA shall be made with the utmost consideration for what is in the best interest of PPRA in the most efficient & cost effective manner.

Top Ten Contracts

The Authority's procurement budget for the year under review was Ksh 76,406,882.

The top ten procurement contracts awarded during the year are:

1. Lease of office space for the head office **Ksh 14,337,600**
2. Provision Of Medical Insurance cover **Kshs. 11,576,943**
3. Supply & Implementation of virtualized Server Infrastructure and Data Back-up Solution **Kshs. 8,236,000**
4. Lease of Parking **Kshs. 7,683,840**
5. Upgrade of Microsoft Dynamics 2009 to 2015 **Kshs. 5,760,432**
6. Provision of General Insurance **Kshs. 2,166,789**
7. Reception and Guarding Services **Ksh 2,100,000**
8. Provision of Cleaning Services **Kshs. 1,722,673.20**
9. Provision of Motor Vehicle Insurance **Kshs. 1,613,761**
10. Provision of Group Life Insurance **Kshs. 1,354,959**

Legal Challenges

There were no legal challenges to procurements undertaken by the Authority during the period under review.

Stakeholder Relationships

The Board endeavours to actively engage with stakeholders by providing regular and timely information. The Board is guided by a Corporate Communication Strategy which encompasses internal and external communication and customer service. The Authority communicates with stakeholders through press releases, stakeholder forums and annual reports.

The Board regularly monitors customer service as embodied in the service charter.

Corporate Citizenship

The Authority engages in a sustained effort to create a social environment that upholds the opportunity for it to achieve its mandates effectively. In so doing, the Authority strives to build a strong symbiotic bond between the community, stakeholders and customers.

The Authority prioritizes the following sectors in its corporate social responsibility (CSR) activities – special interest groups, the environment; and disaster management. Out of these sectors, the Authority actively pursues activities that address social concerns, economic concerns and environmental concerns.

During the year, the Authority in conjunction with the Kenya Institute for the Blind, undertook a project to transcribe the Public Procurement and Asset Disposal Act into braille, for use by persons who are visually impaired. This is in recognition of the need of this special interest group to have access to the procurement law as they participate in procurement under the preference and reservation scheme. The transcribed copies were distributed to various procuring entities and to the National Council for Persons Living with Disabilities.

The staff of the Authority also supported and participated in the annual First Lady's Half Marathon which is an initiative towards HIV control, promotion of maternal and childcare health in Kenya.

STATEMENT OF MANAGEMENT RESPONSIBILITY

Section 25 the Public Procurement and Asset Disposal Act, 2015 provides that, the Authority shall be audited in accordance to the Public Audit Act, 2015.

The Management is responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Authority in addition to ensuring that the assets are safeguarded.

The Management is responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of PPOA; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Management accepts responsibility for the Authority's financial statements, which have been prepared using appropriate policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards and in the manner required by the PFM Act and the Public Audit Act, 2015. The Management is of the opinion that the financial statements give a true and fair view of the state of the financial position of the Authority and of its operating results as at 30th June 2016. The Management further confirms the completeness of the accounting records maintained, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

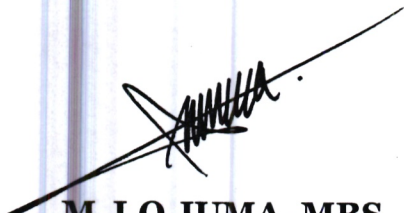
Nothing has come to the attention of the Advisory Board members and management to indicate that the Authority will not remain as a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

At the beginning of the financial year 2015/2016, the members of the Public Procurement Oversight Advisory Board (as it then was) had three months remaining to the lapse of their respective terms. The members served until the 25th September, 2015 when their terms expired. The Authority continued for the remainder of the financial year without a Board in place.

*Public Procurement Oversight Authority
Financial Statements for the Year Ended 30 June 2016*

The Authority's financial statements were approved by the Authority's management on 26th September, 2016.



M.J.O JUMA, MBS
DIRECTOR GENERAL

REPORT OF THE AUDITOR-GENERAL



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON PUBLIC PROCUREMENT REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Public Procurement Regulatory Authority set out on pages 39 to 62, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial

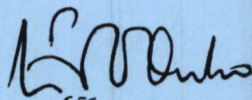
Report of the Auditor-General on the Financial Statements of Public Procurement Regulatory Authority for the year ended 30 June 2016

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Public Procurement Regulatory Authority as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Procurement and Asset Disposal Act, 2015.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

17 May 2017

Public Procurement Oversight Authority
Financial Statements for the Year Ended 30 June 2016

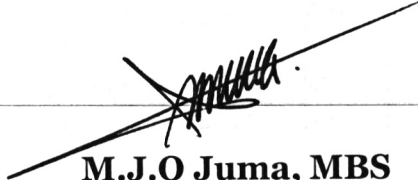
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2016

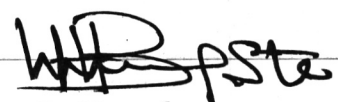
		2016	2015
	Note	Ksh	Ksh
Revenue from non-exchange transactions			
Unconditional Government Grants	2	414,200,000	386,947,903
Revenue from exchange transactions			
Rendering of services	3	8,926,448	7,009,307
Finance Income	4	41,408,084	14,630,630
Other Income	5	836,301	1,081,899
Total Revenue from exchange transactions		<u>51,170,833</u>	<u>22,721,836</u>
Total Revenue		<u>465,370,833</u>	<u>409,669,739</u>
EXPENSES			
Employee Costs	6	170,049,631	176,914,687
Board Expenses	7	31,157,324	34,904,736
General Expenses	8	49,763,926	78,641,281
Repairs and Maintenance	9	1,176,489	2,585,521
Contracted Services	10	8,760,927	21,937,493
Finance Costs	11	5,198,096	2,214,773
Depreciation and Amortization	12	21,421,460	17,076,399
Total Expenses		<u>287,527,853</u>	<u>334,274,889</u>
Surplus / (Deficit) for the year		<u>177,842,980</u>	<u>75,394,850</u>

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016

		2016	2015
	Note	Ksh	Ksh
ASSETS			
Current Assets			
Cash and cash equivalents	13	453,435,590	285,753,258
Receivables from exchange transactions	14	12,236,304	26,670,377
Receivables from non-exchange transactions	15	880,005	531,293
Total Current Assets		<u>466,551,899</u>	<u>312,954,928</u>
Non- current Assets			
Property, Plant and Equipment	16	38,877,468	21,363,392
Intangible Assets	17	1,812,552	1,278,206
Work In Progress	18	2,653,462	0
Total Non-Current Assets		<u>43,343,482</u>	<u>22,641,598</u>
Total Assets		<u>509,895,381</u>	<u>335,596,526</u>
LIABILITIES			
Current Liabilities			
Trade & Other Payables from exchange transactions	19	15,880,901	19,425,026
Provisions	20	<u>672,800</u>	<u>672,800</u>
Total Current Liabilities		<u>16,553,701</u>	<u>20,097,826</u>
Net Assets			
Revaluation Reserve	21	1,231,673	4,473,217
Revenue Reserve	22	<u>492,110,007</u>	<u>311,025,483</u>
Total Net Assets		<u>493,341,680</u>	<u>315,498,700</u>
Total Net Assets and Liabilities		<u>509,895,381</u>	<u>335,596,526</u>

The financial statements and accompanying notes on page 39 to 59 were approved by the PPRA management on 26th September 2016. Signed on its behalf by:


M.J.O Juma, MBS
Director General


L. Bumbe
National Treasury

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2016**

	Revenue Reserve	Revaluation Reserve	Total
	Ksh	Ksh	Ksh
Balance as at 30/06/2014	233,243,943	6,709,826	239,953,769
Restatement of reserves	-	-	-
Transfer to revenue reserve	2,236,609	(2,236,609)	-
Reversal of Provision	150,081		150,081
Surplus for the year	75,394,850	-	75,394,850
Balance as at 30/06/2015	<u>311,025,483</u>	<u>4,473,217</u>	<u>315,498,700</u>
Transfer to revenue reserve	3,241,544	(3,241,544)	-
Reversal of Provision	-	-	-
Surplus for the year	177,842,980	-	177,842,980
Balance as at 30/06/2016	<u>492,110,007</u>	<u>1,231,673</u>	<u>493,341,680</u>

STATEMENT OF CASH FLOWS

		2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES	Notes	Ksh	Ksh
Net Cash flows from Operating Activities	23	<u>208,811,113</u>	<u>66,697,424</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of tangible assets		(39,803,781)	(9,391,037)
Acquisition of intangible assets		(1,325,000)	(1,060,001)
Net cash flow from Investing Activities		<u>(41,128,781)</u>	<u>(10,451,038)</u>
Net changes in Cash and Cash Equivalents		<u>167,682,332</u>	<u>56,246,386</u>
Cash & Cash Equivalents opening balance		<u>285,753,258</u>	<u>229,506,872</u>
Cash & Cash Equivalents closing balance		<u>453,435,590</u>	<u>285,753,258</u>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Revenue	Note	Original Budget Ksh	Actual on Comparable basis (Ksh)	Performance Difference Ksh
Government Grants	2	410,000,000	414,200,000	-4,200,000
Rendering of services	3	7,000,000	8,926,448	-1,926,448
Finance Income	4	6,000,000	41,408,084	-35,408,084
Other income	5	0	836,301	-836,301
Revenue reserves		148,000,000	148,000,000	0
Total Revenue		571,000,000	613,370,833	-42,370,833
Expenses				
Employee Costs	6	282,000,000	170,049,631	111,950,369
Board Expenses	7	41,108,000	31,157,324	9,950,676
General Expenses	8	169,833,176	49,763,926	120,069,250
Repairs and Maintenance	9	6,500,000	1,176,489	5,323,511
Contracted Services	10	45,200,000	8,760,927	36,439,073
Finance Costs	11	1,458,824	5,198,096	-3,739,272
Depreciation and Amortization	12	1,000,000	21,421,460	-20,421,460
Purchase of Tangible Assets	16	13,300,000	39,803,781	-26,503,781
Purchase of Intangible Assets	17	10,600,000	1,325,000	9,275,000
Total Expenses		571,000,000	328,656,634	242,343,366
Difference for the year		0	284,714,199	

- a) **Finance Income:** The significant difference is due to a higher interest rates especially in the first half of the financial year and increase in cash available for cash management activities due to delays in getting approval to operationalize the staff loan scheme & implement job evaluation report, cash received for acquisition of office not enough to start the process and so not utilized and putting on hold of some of the planned activities due to change in mandate.
- b) **Employee Costs:** The budget had factored in funds to roll out the staff loan scheme and implement the job evaluation report. This was not due to delays in getting necessary approvals.
- c) **Board Expenses:** The term of the Advisory ended on 25.09.2015 and the year ended before appointment of a new Board as such the budget for the last 3 quarters of the year was not utilized.
- d) **General Expenses:** Funds allocated for acquisition of office space Ksh 50m could not be utilized as it was not enough to enable commencement of the procurement process. Several other activities scheduled for the 2nd half of the financial year were not implemented due to change in mandate with the coming into force of the New Act on 7th January 2016.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Authority adopted IPSAS in the year 2014 following the gazettelement of the Public Sector Accounting Standards Board (PSASB), which was established by the Public Financial Management Act (PFM) No. 18 of 24th July 2012. PSASB issued financial reporting standards and guidelines to be adopted by all state organs and public sector entities, which the Authority complies with.

(a) Basis of Preparation

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

(b) Reporting Currency

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest shilling. The accounting policies have been consistently applied to all the years presented.

(c) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(d) Revenue Recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

Grants from Donors

Revenues from donors are recognized when the event occurs and asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

ii. Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(e) Budget Information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

(f) Employee Benefits

i. Retirement Benefit Plans

The Authority has a defined contribution plan “PPOA Pension Scheme” for its employees. The employees contribute 10% of their basic salary while the Authority contributes 20% of the basic pay to the scheme.

In addition, PPOA makes employer contribution in respect of bonafide employees to the National Social Security Fund (NSSF), a statutory defined contribution pension scheme at the prescribed rates.

ii. Employee Entitlements

Employee entitlement to annual leave is recognized when they accrue to employees. An accrual is made for the liability for annual leave outstanding at the statement of financial position date.

(g) Property and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(h) Depreciation

The Assets are depreciated as and when they are available for use by the Authority. Depreciation charge is calculated on a straight line basis for the various categories of assets as follows:

Motor vehicles	25.0%
Equipment and computers	33.3%
Furniture and fittings	12.5%
Office partitions	12.5%
Intangible assets	33.3%

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held in the Authority's bank account and short term deposits at the end of the financial year.

(j) Other Assets

Other assets have been recognized and carried at original invoice amount less an allowance for any un-collectable amounts.

An estimate for doubtful debts is made when collection of full amount is no longer probable. Bad debts are written off as incurred.

(k) Liabilities

Financial liabilities are classified at initial recognition and carried at fair value through surplus or deficit or loans and borrowings, as appropriate.

(l) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

i. Contingent liabilities

PPOA does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

ii. Contingent assets

PPOA does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

(m) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements.

(n) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

(o) Taxation

The Authority is a non-commercial state corporation and is therefore not subject to the corporate tax regime. No corporation tax is therefore provided in these accounts. The Authority remits all other applicable taxes as and when due.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(p) Critical Judgments in Applying the Authority's Accounting Policies

The preparation of the entity's financial statements in conformity with IPSAS requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Authority's policies and procedures.

Estimates and judgments are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the Authority's accounting policies, management has not made any estimates and assumptions that will affect the reported amounts of assets and liabilities within the next financial year.

(q) Consumable Stores

All consumable stores procured for use in operations are expensed on purchase through the Statement of Financial Performance. Proper records of receipts and issues of stores items are maintained to avoid abuse.

(r) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

(s) Subsequent Events

Events after year end with a significant impact on the financial statements and decisions made by third parties are disclosed in line with IPSAS 14.

2. Unconditional Government Grants

Unconditional Government grants represent Exchequer receipts from the National Treasury during the financial year.

Unconditional Government Grants

Description	2016	2015
	Ksh	Ksh
Operational grants received from Exchequer	<u>414,200,000</u>	<u>386,947,903</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Rendering Services

Income from appeals: Relates to fees paid by parties seeking administrative review of public procurement disputes.

Description	2016 Ksh	2015 Ksh
Income from appeals	<u>8,926,448</u>	<u>7,009,307</u>

4. Finance Income

This relates to interest earned from short term deposits during the financial year.

	2016	2015
		Ksh
Gross Interest Income	41,408,084	14,630,630
Net Interest Income	<u>41,408,084</u>	<u>14,630,630</u>

5. Other Income

This includes income from the sources listed below:

	2016	2015
Description	Ksh	Ksh
Medical Insurance re-imburement	-	256,833
7 th EAPF Sponsorship	-	750,000
Sale of tender	-	26,000
Disposal Income	835,301	23,206
Insurance Compensation	-	<u>25,860</u>
Other Income	1,000	<u>0</u>
Total	<u>836,301</u>	<u>1,081,899</u>

Disposal income includes Ksh 7,200 from disposal of waste paper and Ksh 828,101 from disposal of motor vehicles.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Employee Costs

This comprises of the wage bill, subsistence allowance paid to employees going out for field assignments and other employee related costs. The Authority's activities are mainly field based. A breakdown of the employee costs is as shown below:

	2016	2015
	Ksh	Ksh
Salaries and wages	80,070,165	81,701,380
Contributions to pensions	15,029,726	15,303,110
Housing benefits & allowances	39,573,953	41,892,889
Car Park expenses	4,844,160	4,704,960
Club membership	294,500	488,400
Staff welfare	1,934,882	3,359,906
Medical & Personal Accident	6,306,009	12,545,941
Staff recruitment and induction	97,336	247,780
Staff uniform	-	265,197
Training	4,947,809	4,684,980
Travel, accommodation & subsistence	<u>16,951,091</u>	<u>11,720,144</u>
Total	<u>170,049,631</u>	<u>176,914,687</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Board Expenses

This comprises of all costs related to the Public Procurement Oversight Advisory Board and Public Procurement Administrative Review Board.

	2016	2015
	Ksh	Ksh
Administrative Review Board expenses	5,329,913	6,784,178
Administrative Review Board Emoluments	19,378,880	14,857,000
Car park expenses	2,394,240	2,394,240
Advisory Board expenses	1,181,942	4,429,318
Advisory Board Emoluments	2,872,349	6,440,000
Total	31,157,324	34,904,736

8. General Expenses

Below are the general expenses of the Authority.

	2016	2015
Description	Ksh	Ksh
Advertising	4,774,762	9,483,015
Branding PPOA	379,600	1,240,000
Corporate Car park expenses	445,440	445,440
Catering	1,185,061	2,171,845
Conference and delegations	7,861,915	33,594,284
Consumables	158,000	587,997
Corporate Social Responsibility	2,377,500	591,493
Corruption Prevention & Awareness	-	23,200
Fuel and Oil	1,090,730	1,331,620
Insurance Costs	2,674,758	3,033,617

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ISO	456,600	11,600
Legal expenses	154,412	128,630
Newspapers/Journals	196,028	226,340
Office Expenses	1,757,113	1,505,908
Printing & stationery	598,945	1,766,252
Rental	15,499,920	9,841,440
Software upgrades and licences	133,000	3,135,410
Strategic Plan	-	90,000
Telecommunication	4,594,775	5,482,386
Trade shows and exhibitions	938,742	104,470
Travel Costs	4,486,625	3,846,334
Total	<u>49,763,926</u>	<u>78,641,281</u>

9. Repairs and Maintenance

The Authority spent Ksh 1,176,489 on maintenance of vehicles, equipment, computers and general maintenance. A breakdown of the expenditure is shown below:

	2016	2015
	Ksh	Ksh
Vehicles	369,018	350,103
Equipment	762,588	1,663,021
Property	<u>44,883</u>	<u>572,397</u>
Total	<u>1,176,489</u>	<u>2,585,521</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. Contracted Services

	2016	2015
	Ksh	Ksh
Audit fees	672,800	765,600
Cleaning Services Fees	1,808,176	1,756,820
Security Costs	2,010,151	2,340,874
Consultancy Fees	4,269,800	17,074,199
Total	<u>8,760,927</u>	<u>21,937,493</u>

11. Finance Costs

	2016	2015
	Ksh	Ksh
Withholding Tax on Interest Income	4,953,664	2,007,321
Bank charges	244,432	207,452
Total	<u>5,198,096</u>	<u>2,214,773</u>

12. Depreciation and Amortization

	2016	2015
	Ksh	Ksh
Property and equipment	20,630,806	12,260,875
Intangible assets	790,654	4,815,524
Total	<u>21,421,460</u>	<u>17,076,399</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Cash and cash equivalents

	2016	2015
	Ksh	Ksh
Bank	53,434,434	19,753,258
Cash on hand and in transit	1,156	0
Short-term deposits	<u>400,000,000</u>	<u>266,000,000</u>
Total	<u>453,435,590</u>	<u>285,753,258</u>

14. Receivables from exchange transactions

	2016	2015
	Ksh	Ksh
Prepaid car park expense	-	7,683,840
Prepaid Insurance	7,463,487	-
Accrued Interest Income (National Bank of Kenya)	353,972	-
Prepaid Motor vehicles	-	18,288,123
Guarding & Receptionist Services	9,048	-
Air Ticketing Services	39,411	-
Prepaid fuel	183,883	334,414
Reimbursements due (Staff seconded to The National Treasury)	3,822,503	-
Rent Deposit - Mombasa Office	<u>364,000</u>	<u>364,000</u>
Total	<u>12,236,304</u>	<u>26,670,377</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. Receivables from non-exchange transactions

	2016	2015
	Ksh	Ksh
Imprest advance	497,500	488,388
Salary advance	<u>382,505</u>	<u>42,905</u>
Total	<u>880,005</u>	<u>531,293</u>

16. Property, Plant & Equipment

	Motor Vehicles	Equipment & Computers	Furniture & Fittings	Office Partitions	Total
	Ksh	Ksh	Ksh	Ksh	Ksh
Cost					
At 1st July 2014	32,061,347	35,576,435	10,384,108	43,135,783	121,157,673
Additions	0	7,657,495	1,181,800	551,742	9,391,037
Revaluations	0	0	-	0	-
Disposals	0	0	-	0	0
Transfers/adjustments	0	0	-	0	0
Cost as at 30th June 2015	32,061,347	43,233,930	11,565,908	43,687,525	130,548,710
Additions	35,979,966	695,380	1,657,469	1,470,966	39,803,781
Revaluations	0	0	-	0	0
Disposals	0	0	-	0	0
Transfers/adjustments	0	0	-	0	0
Cost as at 30th June 2016	<u>68,041,313</u>	<u>43,929,310</u>	<u>13,223,377</u>	<u>45,158,491</u>	<u>170,352,491</u>

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	Motor Vehicles	Equipment & Computers	Furniture & Fittings	Office Partitions	Total
	Ksh	Ksh	Ksh	Ksh	Ksh
Depreciation					
Depreciation	3,489,109	1,982,472	1,328,353	5,460,941	12,260,875
Impairment	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0
Accumulated Depreciation as at 30th June 2015	25,260,566	36,394,761	7,687,019	39,842,972	109,185,318
Depreciation	11,498,416	2,730,211	1,500,466	4,901,713	20,630,806
Disposals	1,658,899				1,658,899
Impairment	0	0	-	0	0
Transfers/adjustments	0	0	-	0	0
Accumulated Depreciation as at 30th June 2016	<u>38,417,881</u>	<u>39,124,972</u>	<u>9,187,485</u>	<u>44,744,685</u>	131,475,023
Net Book Value as at 30th June 2016	<u>29,623,432</u>	<u>4,804,338</u>	<u>4,035,892</u>	<u>413,806</u>	<u>38,877,468</u>
Net Book Value as at 30th June 2015	<u>6,800,781</u>	<u>6,839,169</u>	<u>3,878,889</u>	<u>3,844,553</u>	<u>21,363,392</u>

17. Intangible assets

Intangible assets comprises ICT Systems and software used by the Authority in its operations.

	Ksh
Cost	
At 1st July 2014	32,095,513
Additions	1,060,000
Disposals	-
Transfers/adjustments	-
Cost as at 30th June 2015	<u>33,155,513</u>
Additions	1,325,000
Disposals	-
Transfers/adjustments	-

Cost as at 30th June 2016	34,480,513
Amortization	
At 1st July 2014	27,061,783
Amortization	4,815,524
Impairment loss	-
Transfers/adjustments	-
Accumulated amortization as at 30th June 2015	31,877,307
Amortization	790,654
Impairment loss	-
Transfers/adjustments	-
Accumulated amortization at 30th June 2016	32,667,961
Net book values	
As at 30th June 2016	1,812,552
As at 30th June 2015	1,278,206

18. Work In Progress

Implementation of the Human Resource Information System and Microsoft Navision 2015 was ongoing. The contractors had been paid 20% and 30% of the contract sum as at 30.06.2016. The intangible assets will be recognized once the projects are completed, commissioned and handed over to the Authority. There was no work in progress as at 30th June 2015.

Details	% completion	2016	2015
		Ksh	Ksh
Navision upgrade to 2015 - Attain Ent Solutions	30%	1,728,130	Nil
HRMIS - Netcom Information System	20%	925,332	Nil
Closing balance		2,653,462	Nil

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. Trade & Other Payables from exchange transactions

	2016	2015
	Ksh	Ksh
Trade Payables	15,596,105	19,425,026
Other Payables	284,796	-
Total	15,880,901	19,425,026

20. Provisions

Provision made to cater for audit of FY 2015/16 books of accounts payable in FY 2016/17 after the actual is concluded.

	2016	2015
	Ksh	Ksh
	Ksh	
Audit fees	672,800	672,800
Total	672,800	672,800

21. Revaluation Reserve

The revaluation reserve relates to values assigned to motor vehicles on revaluation. The movement of the revaluation reserve is as shown below:

	2016	2015
	Ksh	Ksh
Opening Revaluation Reserve Balance	4,473,217	6,709,826
Transfer to Revenue Reserve	(3,241,544)	(2,236,609)
Closing Revaluation Reserve Balance	1,231,673	4,473,217

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. Revenue Reserve

The movement in revenue reserves for the year ended 30th June 2016 is shown below:

	2016	2015
	Ksh	Ksh
Revenue Reserve balance as at 30 th June 2015	311,025,483	233,234,943
Transfer from Revaluation Reserve	3,241,544	2,236,609
Reversal of Provision	-	150,081
Surplus for the year	177,842,980	75,394,850
Closing Balance	492,110,007	311,025,483

23. Cash generated from operations

A computation of the net cash flows generated from operating activities during the year under review of Ksh 208,811,113 is as below:

	2016	2015
	Ksh	Ksh
Surplus / Deficit for the year	177,842,980	75,394,850
Adjusted for:		
Depreciation	20,630,806	12,260,875
Amortization of intangible assets	790,654	4,815,524
Reversal of Provision to Surplus	0	150,081
Revaluation Reserve conversion on disposal	1,658,899	0
Cash flows from operating activities before working capital changes	200,923,339	92,621,330
Working capital changes		
Increase/(Decrease) in Trade and other payables	(3,544,125)	(9,034,596)
Decrease/(Increase) in receivables and prepayments	14,085,361	(16,772,110)
Decrease/(Increase) in Work In Progress	(2,653,462)	-
Increase/(Decrease) in provisions	-	(117,200)
Net Cash flows from Operating Activities	208,811,113	66,697,424

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. Financial Instruments

The Authority was not holding neither did it have issued financial instruments as at 30th June 2016.

25. Contingent Assets

The Authority had no contingent assets as at 30th June 2016.

26. Contingent Liabilities

Litigation Matters: As at 30th June 2016, there were some cases before the courts in which the Authority is a party that had not been concluded. The outcome of the cases and the likely costs of the suits (damages/other court awards) that the Authority may have to bear cannot be estimated with certainty. This disclosure has been provided in conformity with IPSAS 19.

27. Subsequent Events

There were no subsequent events after year end that affect the Authority and that would affect the decisions made by a third party.

28. Operating Lease Rentals

The Authority has two rental lease agreements under which it will pay Ksh 54,091,104 over the next 4 years. The details are as below:

Lease with National Bank of Kenya:

Period	2016	2015
Not later than 1 year	16,208,448	13,920,000
Later than 1 year and not later than 5 years	32,416,896	41,760,000
Later than 5 years	0	0
Total	48,625,344	55,680,000

Lease with Mombasa Trade Centre:

Period	2016	2015
Not later than 1 year	1,310,400	1,266,720
Later than 1 year and not later than 5 years	4,155,360	6,688,280
Later than 5 years	0	0
Total	5,465,760	7,955,000

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

29. Progress on Follow Up of Auditor Recommendations

There were no audit queries arising from audit of FY 2014/2015 financial statements.

Ref No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)
FY 2014/15 audit report	None	N/A	N/A	N/A	N/A