





PUBLIC PROCUREMENT OVERSIGHT AUTHORITY

Transforming Procurement

ANNUAL REPORT
30th JUNE 2015

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PPOA Annual Report 2014 - 2015



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LIST OF ABBREVIATIONS AND ACRONYMS

AGPO	Access to Government Procurement Opportunities
ADA	Alcohol and Drug Abuse
AG	Attorney General
ARB	Administrative Review Board
CAF	County Assemblies Forum
CAK	Competition Authority of Kenya
CDF	Constituency Development Fund
COSO	Committee of Sponsoring Organizations
CIC	Commission for the Implementation of the Constitution
CID	Criminal Investigations Department
EPZA	Export Processing Zones Authority
EOI	Expression of Interest
EACC	Ethics and Anti-Corruption Commission
EDMS	Electronic Document Management System
HR	Human Resource
HRMIS	Human Resource Management Information System
ICDC	Industrial and Commercial Development Corporation
IFMIS	Integrated Financial Management Information System
JKUAT	Jomo Kenyatta University of Agriculture and Technology
KEBS	Kenya Bureau of Standards
KISM	Kenya Institute of Supplies Management
KRB	Kenya Roads Board
LAPSSET	Lamu Port South Sudan Ethiopia Transport
LVNWS	Lake Victoria North Water Services Board
MCK	Media Council of Kenya
MDA	Ministries, Departments and Agencies
MSEA	Micro and Small Enterprise Authority
MOUs	Memorandum of Understandings
NCPD	National Cereals and Produce Board
NACADA	National Authority for Campaign Against Drug Abuse

LIST OF ABBREVIATIONS AND ACRONYMS

NCA	National Construction Authority
NCPD	National Council for Population and Development
NITA	National Industrial Training Authority
NDMA	National Drought Management Authority
PAC	Public Accounts Committee
PIC	Public Investment Committee
PEs	Public Entities
PPOA	Public Procurement Oversight Authority
PPDA	Public Procurement and Disposal Act
PPOAB	Public Procurement Oversight Authority Board
PPOARB	Public Procurement Administrative Review Board
PPDR	Public Procurement and Disposal Regulations
PWDs	Persons with Disabilities
P2P	Procure to Pay
ODPP	Office of the Director Public Prosecutions
TTI	Technical Training Institute
WSTFK	Water Services Trust Fund Kenya

MISSION STATEMENT

VISION

A vibrant procurement and disposal system for attainment of Kenya's Vision 2030.

MISSION

To facilitate access to procurement opportunities through enabling regulation that fosters value for money for national socio-economic development.

CORE VALUES

- * Transparency
- * Equitability
- * Customer focus
- * Teamwork
- * Objectivity
- * Integrity
- * Courage

STATEMENT BY THE CHAIRMAN, ADVISORY BOARD

The past year PPOA recorded good performance towards achieving 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 for the coming year, PPOA strategy will continue to drive increased efficiency in the public procurement and disposal system and contribute to social economic benefits for citizens.

The implementation of the *Constitution of Kenya 2010*, introduced a system of checks and balances that provides for more transparency in the management of public resources and subject to increased accountability.

As a key player in ensuring accountability in public expenditure through the procurement and disposal process, PPOA in collaboration with other Government Agencies has played an active role in promoting reforms in public financial management and in particular public procurement that have yielded gains and put Kenya on the path to becoming a globally competitive economy. Gains made include: reducing timelines in the procurement process, increased transparency in handling procurement matters, prudent resource utilisation and achievement of value for money as well as better service delivery.

Furthermore, procurement is now being used as a tool for socio-economic development. Towards this end, PPOA has partnered with the government to build the capacity of disadvantaged groups (Youth, Women and People with Disability) so as to enable these groups access at least 30% of government procurement opportunities. Access to government procurement opportunities by these groups will promote entrepreneurship, reduce unemployment and spur economic growth.

To consolidate these gains and further improve the public procurement system, PPOA collaborated with the National Treasury in piloting the roll out of e-procurement among the 19 state corporations under the National Treasury. The shift from the manual procurement system to the electronic procurement system is a big stride in the right direction and puts Kenya on the map as the first country in the region to automate public procurement. Benefits of implementing e-procurement include: promotion of good governance, enhancing transparency and accountability in the use of public funds, reduced transaction costs, support green procurement, enhance monitoring of the public procurement system and promote e-commerce in our economy.

The Board and management of the Authority maintained it on the high performance path in achieving its mandate and aligning the Authority's operations with the overall Government Agenda as envisaged in



Vision 2030 and the MTP II (2013-2017) through implementation of the second year strategic objectives as outlined in the 5 year strategic plan covering the period 2013 – 2017. Other initiatives undertaken to enhance good performance include; implementation of the ISO 9001:2008 quality management system that will lead to ISO certification of the Authority in 2015/2016, developing a risk management framework to institutionalize the risk management culture and adopting the *Mwongozo Code of Governance for State Corporations*.

It is worth noting that, although the Authority realized many achievements in the year, there were also challenges, key among them: Resource constraints; turnover of highly skilled staff; and participation in strategic national initiatives such as *Huduma Centres* which had the effect of overstressing an already under-staffed establishment.

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 PPOA 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.



CPA Patrick Mtange, FCPAK.
Chairman, PPOAB

DIRECTOR GENERAL'S STATEMENT

Public procurement is the vehicle through which most government projects are implemented. Procurement spend constitutes about 45% of the budgets of Ministries, Departments and Agencies (MDA's). PPOA 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, PPOA 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 2014/2015, good progress was made towards achievement of the above objectives. Highlights of key achievements are highlighted hereunder.

Policy, Legal, Regulatory and Research framework: Article 227 of the *Constitution of Kenya 2010* underscores the need for a public procurement and disposal system that is fair, equitable, transparent, competitive and cost effective. The same provision envisages an Act of Parliament that describes a framework within which policies relating to procurement and disposal shall be implemented and include categories of preference and reservation, protection and advancement of disadvantaged persons and sanctions against errant contractors and other persons that default tax obligations, integrity and fair employment laws and practices. To achieve this, the Authority partnered with the National Treasury in preparing the layman's draft of the Public Procurement and Disposal Bill 2014 in line with the fifth schedule of the Constitution. The bill is in the final stages of legislation.

On research, the Authority validated findings of researches on: *"Determination of Value for Money in Public Procurement"* and *"Positioning of the Procurement Function"* in addition to conducting quarterly market surveys for common user items and updating the Item Master. In response to concerns on perceived delays in public procurements, draft concept notes to facilitate a study on *"Determination of Procurement delays"* have been prepared. Further, a *"Draft Research Strategy"* meant to guide the Authority's future research activities is ready and will be presented to the Board for approval soon.

Administrative Review: The administrative review is an alternative dispute resolution mechanism for public procurement disputes. In the year under review, the Administrative Review Board (ARB) heard

and determined sixty three (63) cases lodged before it during the period with majority of the cases (39 representing 62%) lodged in quarters 2 and 3. Out of these; 23 cases were successful, 31 cases were unsuccessful while 9 cases were withdrawn. The average duration for finalizing cases was 22 days against the statutory timeframe of 30 days. A decision digest of the ARB decisions for the period 2005 – 2007 has been published and digitized. The development of other volumes of the decision digest covering the periods 2008 – 2010 and 2011 – 2013 is ongoing.

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 Governments and the target groups under the Access to Government Procurement Opportunities (AGPO). A total of 7,223 persons were trained out of which 4,314 were youth, women and persons living with disability, 2,655 procurement professionals and members of committees handling procurement matters drawn from County Assemblies and County Executive and 254 members of Public Accounts Committees and Public Investment Committees of County Assemblies. In addition, PPOA conducted a training impact assessment of twelve (12) selected PE's implementing Vision 2030 flagship projects initially trained on various aspects of the PPDA, 2006 and regulations thereof. The assessment aimed at establishing the impact of the trainings on the procurement performance of the PE's. On e-learning two more modules on how to fill tender documents and procurement of consultancy services were developed and rolled out in financial year 2014/2015.

Compliance to the PPDA 2005 and Regulations: The Authority continued to monitor compliance to the public procurement and disposal law and the regulations through analysing the quarterly procurement reports submitted by procuring entities, conducting procurement assessments, procurement reviews/ audits and investigations among other avenues.

Overall compliance to the PPDA 2005 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; partnering with the National Treasury in implementation of e-procurement, collaboration with GIZ in developing an Internal Public Procurement Monitoring Tool and the customization of the monitoring strategy of the Procurement & Disposal situation using OECD-DAC maps.

The Authority also worked closely with County Governments on procurement matters by building the capacity of county oversight institutions through training of members of the Public Accounts Committee and Public Investment Committees as well as county staff involved in procurement. In addition PPOA conducted procurement assessment of all the County Assemblies and County Executives and gave recommendations on areas of improvement. And to encourage the counties to do even better, the Authority rewarded the best performing County Executive and County Assembly with the Procuring Entity of the Year Award (PEYA) at the 7th East Africa Procurement Forum held in Nairobi in November 2014.

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 and the fact that the Authority is a young institution having been established on 1st January 2007, that over the last three years it 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 systems; collaborations and partnerships with other government institutions both within and outside our borders, implementing ISO 9001:2008 Quality Management System, 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 PPOAB 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

CHAPTER **1** ORGANIZATION OVERVIEW

BACKGROUND

1.1 Establishment of Authority

The Public Procurement Oversight Authority (PPOA) is established under Section 8 (1) of the Public Procurement and Disposal Act, 2005 (the Act) and is charged with monitoring compliance with procurement procedures. The Authority also supports the implementation of the procurement law through capacity building and advisory services.

1.2 The Authority

The Public Procurement Oversight Authority is a body corporate comprising of the Director-General and staff. The Authority has organized its functions into two directorates: Technical Services, and Finance and Administration. Technical Services comprises of Compliance, Capacity Building, Administrative Reviews, and Policy & Research departments; whereas Finance and Administration comprises of Finance, Human Resources and Administration and Procurement departments.

In addition, Corporate Services and ICT departments report administratively to the Finance and Administration Directorate, but functionally to the Director-General. The Internal Audit Department reports functionally to the Board Audit Committee and administratively to the Director General.

1.2.1 Mandate of the Authority

Section 9 of the Act confers the Authority with the following functions:

- a) to ensure that the procurement procedures established under the Act are complied with;
- b) to monitor the public procurement system and report on the overall functioning of it in accordance with Section 20(3)(b) and present to the Minister such other reports and recommendations for improvements as the Director-General considers advisable;
- c) to assist in the implementation and operation of the public procurement system and in doing so:
 - (i) to prepare and distribute manuals and standard documents to be used in connection with procurement by public entities;
 - (ii) to provide advice and assistance to procuring entities;
 - (iii) to develop, promote and support the training and professional development of persons involved in procurement;
 - (iv) to issue written directions to public entities with respect to procurement including the conduct of procurement proceedings and the dissemination of information on procurements; and

- (v) to ensure that procuring entities engage procurement professionals in their procurement units.
- d) to initiate public procurement policy and propose amendments to the Act or to the regulations; and
- e) to perform such other functions and duties as are provided for under the Act

THE BOARD OF DIRECTORS

Public Procurement Oversight Authority (PPOA hereafter referred to as the Authority) uniquely has two boards; namely the Public Procurement Oversight and Advisory Board (PPOAB hereafter referred to as the Board) and the Public Procurement Administrative Review Board (PPARB hereafter referred to as Review Board). The Advisory 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.

1.3 The Public Procurement Oversight Advisory Board

The Public Procurement Oversight Advisory Board is established under Section 21 of the Act. Further, Section 22(1) of the Act provides for an Advisory Board comprised of 9 members, appointed by the Minister and approved by Parliament from persons nominated by the prescribed organizations; and the Director-General who serves as Secretary to the Board. However, the Act was amended through the Public Finance Management Act, 2012 to allow representatives from the Ministry of Finance and the Attorney General to be members of the Advisory Board.

The Advisory Board's functions are:

- a) to advise the Authority on the exercise of its powers and the performance of its functions;
- b) to approve the estimates of the revenue and expenditures of the Authority;
- c) to recommend the appointment or termination of the Director-General in accordance with the Act; and
- d) to perform such other functions and duties as provided under the Act.

Mr. Mtange has vast experience in finance and accounting in both the public, private and non Governmental organization sectors for 29 years. He is currently 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 in the private sector (he is the immediate former Chairman of Institute of Certified Public Accountants of Kenya - ICPAK and immediate past member of the Pan African Federation of Accountants Board -PAFA), in the private sector (academia – KCA-University and Daystar University) and in the public sector (state Corporation - PPOA)



CHAIRPERSON
Patrick Mtange

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).

Martha Mugambi has held various leadership positions for over 25 years. She was a long serving staff of the Standard Chartered Bank PLC and employee of the Ministry of Community Development and Social Services. She is 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. She is also 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 Teacher Training College, Meru.



VICE CHAIRPERSON
Martha K. Mugambi

Mr. Juma is the Director General of PPOA and Secretary to the PPOAB. He has 26 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.



Maurice J.O Juma, MBS
Director General, PPOA

Eng. Reuben Kosgei is a distinguished mechanical engineer with 40 years experience gained from service in both the public and private sector. He is currently a partner in Associated Services Consultants - Mechanical and Electrical Consulting Engineers. He was a partner at Kaburu Okelo and Partners; a Principal Maintenance Engineer at Kenya Bureau of Standards, a Mechanical Engineer and



Eng Reuben K. Kosgei

an Assistant Engineer with the Ministry of Public Works. He underwent practical training locally and in the United Kingdom.

He is the current Chairman and Fellow of the Institution of Engineers of Kenya (FIEK) and a Registered Consulting Engineer with the Engineers Board of Kenya (EBK).

Eng. Kosgei 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.



Faith N. Kimani

Faith Kimani has 26 years of experience gained from the private sector and is a registered quantity surveyor currently 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.

She holds B.A (Building Economics) and MBA (Finance) from the University of Nairobi.



Fred Odhiambo

Fred Odhiambo has 27 years work experience in various positions held both in the private and public sector. He is currently 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) honors degree from the University of Nairobi and a Diploma in sports from Kenya National Sports Council.

Joyce Njogu is a Business Development, Marketing and Strategic Management professional with 16 years work experience in both the Public and Private Sector. She is currently 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.

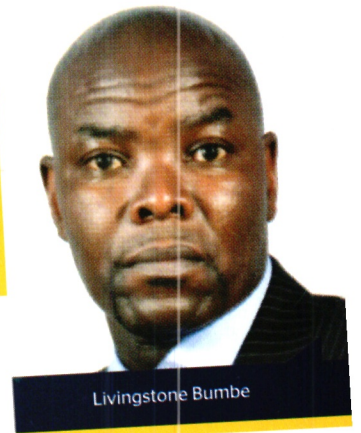
Joyce holds an MBA (Strategic Management) from University of Nairobi, Bachelor of Education (Moi University), Postgraduate Diploma (Marketing) from Chartered Institute of Marketing (CIM UK) and Executive practitioner's certificate in Marketing Management from Marketing Society of Kenya (MSK). She is a member of CIM UK and a Chartered Marketer. She is also a full member representative of MSK Council and Kenya Institute of Management (KIM); an Executive Coach with a certificate from the Academy of Executive Coaching (AoEC); a graduate of Female Future Kenya program offered by Federation of Kenya Employers. She is a member of the Public Procurement Oversight Advisory Board (PPOAB).



Joyce Muthoni Njogu

Mr Livingstone Bumbe the Alternate for 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.

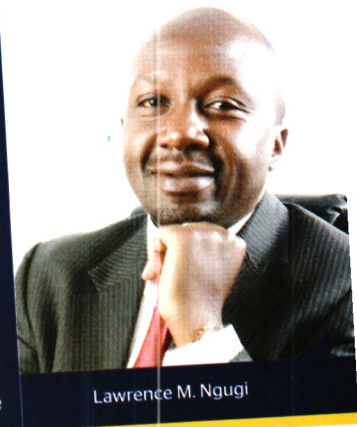


Livingstone Bumbe

Mr. Lawrence Ngugi is the Alternate to the Attorney General in the Board. He is an advocate of the High Court of Kenya with 14 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

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).



Lawrence M. Ngugi



Ms. Ruth Theddesia Ngobi

Ms. Ruth Ngobi is an Advocate of the High Court of Kenya of 30 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 Cosec 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. She is a Non-Executive Director on the Boards of CFC Stanbic Bank Limited and CFC Stanbic Holdings Limited.

The Public Procurement Administrative Review Board

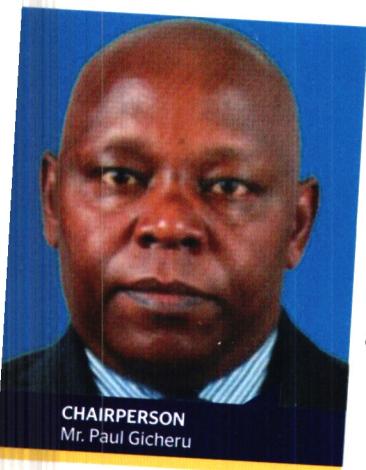
The Public Procurement Administrative Review Board (Review Board) is established under Section 25 of the Public Procurement and Disposal Act, 2005. The Review Board comprises of six members nominated by the specified institutions/bodies and three other members appointed by the Minister, one of whom is the Chairman. The Secretary to the Review Board is appointed by the Director-General from amongst the staff of the Authority.

The Review Board objectives are to hear and determine disputes arising from candidates who claim to have suffered loss or damage due to the breach of a duty imposed on a Procuring Entity by the Public Procurement and Disposal Act, 2005 and/or the Public Procurement and Disposal Regulations, 2006.

The Board was established to promote and uphold fairness in the Public Procurement System through judicious and impartial adjudication of matters arising from disputed procurement proceedings in order to increase transparency, accountability and public confidence. The Board also adjudicates the Director – General’s decisions made against procuring entities on investigations and debarment of suppliers.

Mr P. Gicheru has been an advocate of the High Court of Kenya for 17 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 an Associate of M/s Kalya and Company Advocates.

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



CHAIRPERSON
Mr. Paul Gicheru

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.



Mr. Nelson Kiprono Orgut

Peter Ondieki is a career civil servant with 36 years experience in economic planning and management in the public service. 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.

He holds; M.Sc.,B.Ed.,Diploma in Statistics.



Mr. Peter Bitu Ondieki, MBS

Paul Ngotho is the proprietor of Ngotho Property Consultants Ltd. He is an Arbitrator, Adjudicator, Property 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' (FCIArb, UK) and Institute of Surveyors of Kenya (FISK).

He is also a member of the Royal Institute of Chartered Surveyors (MRICS, UK) and a Registered Valuer.



Mr. Paul Ngotho



Eng. Weche Raphael Okubo,
OGW

Eng. Weche Okubo is 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 Institution 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.



Mrs. Josephine W. Mong'are

Mrs. Josephine W. Mong'are is an advocate of the High Court of Kenya with 24 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) and 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

Hussein Were has 25 years experience in quantity surveying and project management. He also has 7 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.

Mrs. Gilda Odera has 25 years work experience 11years of which were in the Marketing Services sector and 14 years in the ICT sector. She is an entrepreneur who founded and runs Skyweb Technologies Ltd and Skyweb-Evans Company Ltd as Managing Director. 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 in several boards in various capacities including Board Member NHIF where she is the Chairman of the Executive Committee, Board Member Federation of Kenya Employers, Council Member Kirinyaga University College, Vice Chair ICT Sector Board KEPSA, Board Member TESPOK, Chairman Kenya Business Process Outsourcing Association, Chairman 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 Gilda A. Odera

Rosemary Gituma has over 19 years top management experience in accounting & financial management, administration, supply chain, strategy, governance and internal audit in both public and private sectors. Since 2000 to date she has been working with 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 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.



Mrs Rosemary KinanuGituma

MANAGEMENT TEAM



Mr. J.O. Juma, MBS
Director General
MSc (Proc. & Logistics) -UK, MBA
BCom, MCIPS, Dip (Purchasing & Supplies)



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



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



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



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



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



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Jerome Ochieng, Manager, ICT
M. Eng. (Information Eng.) Japan,
B.Sc (Math/ Comp), Dip (IMIS)
(Seconded to National Treasury as
Ag. Director, IFMIS)



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

CORPORATE GOVERNANCE STATEMENT

The Authority has two boards namely; the Public Procurement Oversight Advisory Board (PPOAB) and the Public Procurement Administrative Review Board (PPARB). 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.

Public Procurement Oversight Advisory Board (PPOAB)

The functions of the PPOAB are:

1. To advise PPOA generally on the exercise of its powers and the performance of its functions;
2. To approve the estimates of the revenue and expenditures of PPOA;
3. To recommend the appointment or termination of the Director-General in accordance with the Act; and
4. To approve debarment of persons and perform such other functions and duties as are provided for under the PPOA Act.

Board Committees

The Board has set up four standing Board committees that operate under defined committee charters with defined Terms of References that are in consonance with the guidelines and directives issued by the government. The Committees facilitate efficient delivery of services to the Authority. The committees are:

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 Permanent Secretary, 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 a secretariat while the manager of finance, procurement and internal audit form part of the technical team to guide the committee but shall 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, control 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.

Finance & Administration Committee

This Committee deliberates on Human Resource, Financial, Budgetary and Administrative issues of the Authority. The Committee maximum membership is five members. 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 Procurement plans.
- (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 on all matters relating to the welfare of the members of Administrative Review Board and Advisory Board.

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;

v) To advise on Information and Communication strategies of the Authority.

The committee holds regular meetings at least four times in a year. The committee members elect the chairperson by a majority vote. Three (3) members including the chairperson constitute quorum for meetings. Decisions of the committee are made through consensus. If there is no consensus voting shall be done and in case of a tie the chair casts a deciding vote.

Reports and minutes are made available to the Director General following the Committee's meeting, clearly indicating its findings, conclusions and recommended plan of action. A register is maintained by the secretariat on all external and internal findings/ recommendations deliberated upon by the committee for follow up.

Compliance Committee

The Committee:

- i) Advises on public procurement policy matters on compliance and amendments to the Act and the Regulations proposed by PPOA.
- ii) Advises on strategies to be used by the Authority to ensure compliance with the procurement law.
- iii) Reviews and recommends to the Board on the proposed best practices for benchmarking.
- iv) Advises on extent and mode of collaborations with other watchdog agencies.

The committee evaluates its performance annually and identifies its achievements, areas that need improvement and training. The performance evaluation of the committee is conducted and a report written and presented to the Board by the chairperson of the committee or any other member of the committee designated by the committee to make the report.

The committee meets as per its approved schedule of meetings. However, the chairman may convene additional meetings as may be deemed necessary. The agenda of the meetings is derived from its terms of reference and within the developments of the public procurement system as they occur within the country. The agenda is circulated to the members as resolved by the committee or at least 14 days before the day of the meeting

The PPOAB Board 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 provided advice on corporate governance principles and plans and also on the implementation of corporate governance programs such as risk management and performance assessment.

Mwongozo Code of Governance for State Corporations

The Authority has adopted, implemented and continues to be guided by the Mwongozo code of governance for state corporations in its operations.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As a Corporate Social Responsibility policy requirement, PPOA strives to engage in a sustained effort to create a social environment that upholds the opportunity for PPOA to achieve its mandates effectively. In so doing, PPOA builds strong symbiotic bond between the community, stakeholders and customers. PPOA focuses on environmental, social and economic concerns in her Corporate Social Responsibility activities.

During the year under review, PPOA participated in 2 Corporate Social Responsibility activities. Under ensuring environmental sustainability, PPOA partnered with Kenya Forest Service (KFS) engaged in a tree planting exercise at the Ngong forest under the Nairobi conservancy in April 2015. The activity resulted in planting of 1,000 indigenous trees.



Members of staff during the tree planting exercise

Also, 27 members of the PPOA fraternity joined thousands of Kenyans at the Nyayo National Stadium to participate in the second edition of the beyond Zero marathon. The marathon organized in March 2015 by the First Lady, Mrs. Margaret Kenyatta was aimed at improving access to health services by mothers and children. The contributions made towards the marathon were to purchase 20 mobile clinics for the 47 counties.



Beyond Zero Marathon participants

CHAPTER **2** ACTIVITIES OF THE AUTHORITY

2.1 Introduction

This Section presents the progress made by the Authority on its mandate under Section 9 of the Public Procurement and Disposal Act, 2005 (the Act).

2.2 Monitoring Compliance with PPDA, PPDR, Circulars and Directives

2.2.1 Ensuring Compliance with Public Procurement Procedures

Section 9(a) of the Act mandates the Authority to ensure that the procurement procedures established under the Act are complied with. The procurement law outlines several provisions relating to governance structures, systems and procedures that PEs are expected to comply with. The Authority carries out its compliance and monitoring mandate through procurement and disposal assessments and reviews; analysis of reports submitted to the Authority by PEs; and through inquiries based on complaints and queries from bidders, PEs and members of the public generally.

a) Procurement Assessments

The Authority carried out 70 assessments in 70 procuring entities during the 2014/15 Financial Year. The Key Indicators used in the procurement and disposal assessments were procurement institutional arrangements or structures; the procurement process; mandatory reporting to PPOA; records management; and stores, inventory control and management.

The assessments were conducted and action plans concluded with procuring entities categorized and rated as tabulated below:

Table 1: Category of PEs Assessed

PE Category	No. Entities
County Executives	13
County Assemblies	14
County Service Co-coordinating units	7
Ministries / State Departments	24
Schools & Colleges	8
Constituency Development Funds	2
Co-operative Societies	1
Commissions / Independent Offices	1
TOTAL	70

b) Procurement Reviews

Procurement Reviews are detailed / comprehensive audits of an Entity's procurement and disposal activities for a specified period of time to ascertain their compliance with the procurement law. During the year under review, the Authority conducted reviews in 14 Procuring Entities.

The common findings from procurement assessments and reviews based on the indicators discussed above and the recommendations are as tabulated below:

Table 2: .Key Findings and Recommendations from Procurement Assessments and Reviews

No.	Key Indicator	Findings	Recommendations
1.	Institutional arrangement	<ul style="list-style-type: none"> • Staffing deficiencies in procurement units i.e. inadequate procurement professionals • Improperly constituted Tender Opening Committees, Tender/ Tender Processing Committees, Procurement Committees, Disposal Committees • Committees not conducting their mandates in accordance with the procedure provided in the Procurement Law 	<ul style="list-style-type: none"> • Public Entities need to be adequately funded to enable them employ professional staff • KISM should take legal action against Public Entities that appoint non procurement professionals to head their Procurement Units
2.	Procurement / Disposal Processes	<ul style="list-style-type: none"> • Entities operating without an approved consolidated procurement plans / procuring items not planned for • Use of inappropriate methods of Procurement (failure to adhere to the ceilings given in the threshold matrix). • Not using Standard Bidding Documents • Evaluation of tenders using criteria not disclosed in the tender documents • Failure to notify unsuccessful bidders 	<ul style="list-style-type: none"> • Continuous capacity Building for members of the various Procurement Committes • Targeted capacity building for Procuring Entities focusing on the identified areas of weaknesses • Enforcement Unit should be formed within the Authority to follow up on non compliant Public Entities to ensure compliance
3.	Contract Management	<ul style="list-style-type: none"> • Entities not preparing formal contract agreements even where this is applicable • Contract variations beyond permitted thresholds 	

No.	Key Indicator	Findings	Recommendations
4.	Records Management	<ul style="list-style-type: none"> • Delayed deliveries of goods/ services • Delayed payments to suppliers / contractors • Incomplete / Disorganised procurement records 	<ul style="list-style-type: none"> • Targeted training / capacity building focussing on procurement records management, stores/ inventory management, asset management
5.	Stores and Inventory Management	<ul style="list-style-type: none"> • Unsafe / insecure storage facilities • No evidence of quarterly stock taking / No stock taking reports. • Stores ledgers not upto-date - discrepancies between physical & ledger balances • Asset registers not in place / not having adequate information / not updated 	
6.	Reporting to PPOA	<ul style="list-style-type: none"> • No evidence of reporting to the Authority in many of the Entities. 	

The entities assessed/reviewed were advised to take corrective actions to remedy the weaknesses identified. The entities signed action plans detailing the specific actions to be taken by the entities to address the non compliance issues.

c) Contract Audits

During the year under review, 13 specific contract audits were conducted in 13 Procuring Entities. Some of the key findings included:

- a) Initiation of procurements without procurement planning or procurement requisition;
- b) Unjustified use of restricted tendering method of procurement;
- c) Failure to use prequalified list of suppliers;
- d) Tender opening committees / tender committees performing roles outside their mandates or operating without quorum;
- e) Modification / waiver of evaluation criteria during evaluation;

The concerned Procuring Entities were advised to take corrective actions to ensure adherence to the Procurement Law in their procurement activities.

d) Mandatory Reporting to PPOA

During the financial year, the Authority received mandatory reports on contracts awards above KES 5million; Direct Procurements; Termination of Procurement Proceedings; Disposals to Employees and contracts awarded to Youth, Women and Persons with Disability (PWDs).

(i) Contract above KShs. 5 Million

During the 2014 / 2015 Financial Year, a total of 203 PEs reported to the Authority on contract awards above KES 5 million. The summary of PEs that reported by category is as tabulated below:

Table 3: Category of PEs that reported on procurement contracts above KShs. 5 Million

PE Category	Number
Parastatals	74
Ministries/State Department	11
County Government	1
County Assembly	5
Universities, Institutions/Colleges and Schools	112
TOTAL	203

(ii) Terminations

During the period under review, a total of 73 procurement proceedings and contracts were terminated and reported to the Authority. The major reasons for terminations were as summarised below:

- i. Non responsiveness of bids submitted;
- ii. The price quoted was above the market price;
- iii. The quoted figure was higher than the budget; and
- iv. Non-performance by the supplier as provided for in the contract agreement etc.

(iii) Direct Procurement

During the 2014/15 Financial Year, a total of 55 Procuring Entities filed reports on 293 contracts worth KES 21, 921, 237, 341 on direct procurement. The procured items were categorised as tabulated below:

Table 4: Number of Direct Procurement Contracts

S. No.	Common category of directly procured items	Number of contracts
1.	Goods	178
2.	Works	13
3.	Services	102
	TOTAL	293

(iv) Disposal to Employees

Boarded items worth KES 20, 050.00 were reported to have been disposed to employees. They included a motor cycle, 2 Pieces Sony LCD Projector VPL-CS7 and ES 7 and HP Laptop model Pro book 6730b.

(v) Contracts awarded to Youth, Women and Persons With Disabilities (PWDs)

During the 2014 / 2015 Financial Year a total of 22 PEs reported to the Authority on contracts awarded to Youth, Women and PWDs. A total number of 485 contracts with a total value of KES 880,048,773.38 were awarded to Youth, Women and Persons with Disability. Summary of the PEs that reported per category is presented as below:

Table 5: Contract Awards to Youth, Women and PWDs

PE Category	Number
Parastatals	14
Ministries/State Department	1
County Government	1
Universities, Institutions/Colleges and Schools	6
TOTAL	22

Key non-compliance issues identified from the reports included:

- a) Failure to provide adequate time for bidders to prepare their bids;
- b) Unjustified use of restricted tendering and direct procurement methods;
- c) Inviting less bidders than is required by law when using restricted tendering;
- d) Signing of contracts before the lapse of 14 days from date of notification of award and use of incorrect reporting templates hence omission of important information in the reports.
- e) Late submission of the mandatory reports;
- f) The reports were submitted with inadequate information thus procuring entities were required to resubmit. This was especially with terminations and direct procurements above KES 500,000.00;
- g) Non disaggregation of data on awards to Youth, Women and Persons with Disability.

In all cases where non-compliance issues were identified, the PEs concerned were notified and directed to take necessary corrective / preventive measures. The PEs were directed to refer to the PPOA Circulars on reporting requirements, revise / correct the reports and resubmit to the Authority where necessary. To help improve compliance with the reporting requirements, Authority will sustain sensitization of PEs on reporting requirements under the procurement law.

e) Tender Invitation Notices

In carrying out its mandate of ensuring compliance to the law, the Authority ensures that the tender advertisements posted in the newspapers by the Procuring Entities are in compliance with the requirements of the Act and the regulations. Where irregularities are discovered, the PEs are informed and directed to rectify the irregularities by issuance of addenda. During the year under review, the Authority identified 135 non-compliant Tender Notices.

The distribution of the non-compliant tender notices per category of PEs is shown in the table below:

Table 6: Number of Non-Compliant Tender Notices per category

Category	No. of Non-compliant Tender Notices	%
State Corporations	57	42
Schools and Colleges	22	16
County Government (Executive)	22	16
Universities	11	8
County Assemblies	8	6
Cooperative Societies	6	4
CDFs	4	3
National Government Ministries	3	2
Commissions & Independent Offices	1	1
County Service Delivery Coordinating Units	1	1
	135	100

From the 135 non-compliant tender notices, State Corporations recorded the highest number of breaches at 42%, followed by Schools and Colleges and County Executives at 22% each.

The most common areas of non-compliance in the tender notices were:-

- i) Charging fees for prequalification and Expression of Interest (EOI) documents
- ii) Charging fees for tender documents above the maximum limit of KES. 1,000/- allowed under the Procurement Law
- iii) Failing to indicate bid submission deadline / Closing date / Opening date.
- iv) Providing for bid preparation and submission period lesser than the duration prescribed under the Procurement Law.

From the above observations, it is recommended that capacity building initiatives by the Authority and relevant stakeholders should focus on the identified areas of weaknesses as a way of assisting the public entities to improve their compliance.

f) Complaints and Queries

The Authority conducted inquiries on the basis of complaints and queries from bidders, procuring entities and members of the public. The Authority received 592 complaints in the course of the financial year. Most of the complaints received were allegations of breaches of the law in the following main areas:

- a) Unfair evaluation of bids

- b) Failure to respond to clarifications sought by bidders
- c) Failure to notify bidders and provide reasons why their bids were not successful
- d) Unclear / tailored specifications
- e) Delay in payments

The Authority addressed the complaints through reviews and analysis of relevant documents and issued instructions in writing to PEs to take corrective measures to address the non-compliances.

g) Investigations

The Authority conducted a total of 8 investigations on procurement in 7 entities where there were allegations of breaches in procurement proceedings. The breaches found were in the areas of identification of bidders, choice of procurement methods, opening of bids, bid evaluation and award of contracts by tender committees. The investigation reports were shared with the entities investigated and where necessary, with Parliament and / or EACC for further action.

To properly undertake this function, the Authority should be allocated adequate resources to enable it have an investigation unit staffed with professional investigators. The legal unit within the Authority should also be expanded to enable the Authority have proper representation in court for cases arising out of the investigation reports.

General Conclusion and Recommendations on Compliance

To ensure proper delivery of the compliance monitoring, a number of issues as discussed above require enforcement by the Authority. In addition, the Authority faced the challenges of inadequate staff, financial resources and generally low levels of reporting by the PEs. This has limited the scope of the Authority in terms of ensuring compliance monitoring of the public procurement system.

It is therefore recommended that:

1. Procurement capacity building for public entities should focus on areas of weaknesses identified during the procurement reviews/assessments as a way of supporting public entities to improve their compliance with the procurement law, regulations and circulars.
2. The Authority should sustain and strengthen the existing working relationships (through MOUs) with other law enforcement agencies such as EACC, ODPP, CID, Office of the AG, amongst others, to ensure effective enforcement of compliance to the procurement law.
3. The Authority should develop, sustain and implement a capacity building strategy that focuses on the areas of weaknesses in procurement identified from the compliance monitoring related activities reported above.
4. The Authority should strengthen the legal unit to enable proper representation in court for cases arising out of the Authority's compliance audit reports.

5. Reporting templates should be revised and circulated to all PEs and continued reporting monitoring ensured. This should be followed by continued sensitization of the PEs on the reporting requirements.

2.3 Capacity Building on the Public Procurement System

Section 9(c) of the Act mandates the Authority to assist the PEs in the implementation and operation of the public procurement system through, among other things the development, promotion and support of the training and professional development of persons involved in public procurement process.

2.3.1 Trainings Conducted

For the 2014/2015 Financial Year, a total of 45 trainings were conducted by the Authority focussing majorly on the County governments' staff, Members of the County Assemblies and the disadvantaged groups. The training modules covered included: tender evaluation procedures, development of specifications, records management & disposal procedures. Members of the Public Accounts Committee (PAC) and Public Investment Committee (PIC) of the County Assemblies were also trained on the role of oversight committees in public procurement and disposal system. In addition, the disadvantaged groups were trained on how to prepare responsive bids.



The participants targeted for each group were; 4000 persons from the disadvantaged groups and 1000 persons from the PEs totalling to 5,000 persons. However, the Authority surpassed this target to train a total of 7,223 participants. The trainings were spread out across the country covering 15 counties namely Kisii, Nyandarua, Nyamira, Laikipia, Egeryo Marakwet, Uasin Gishu, Tana River, Isiolo, Busia, Bomet, Siaya, West Pokot, Narok, Trans Nzoia and Turkana.

The distribution of the participants trained is as shown in figure 2.3.1;

Figure 2.3.1: Number of Participants trained

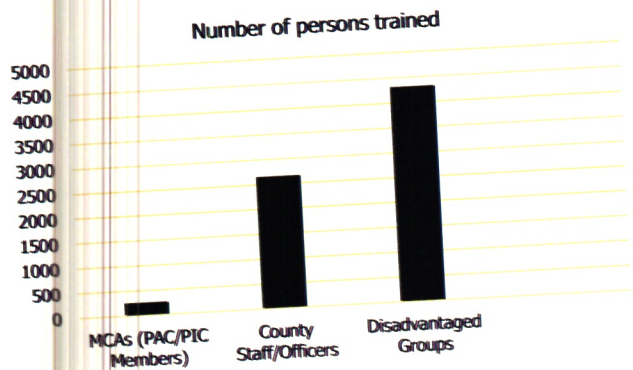
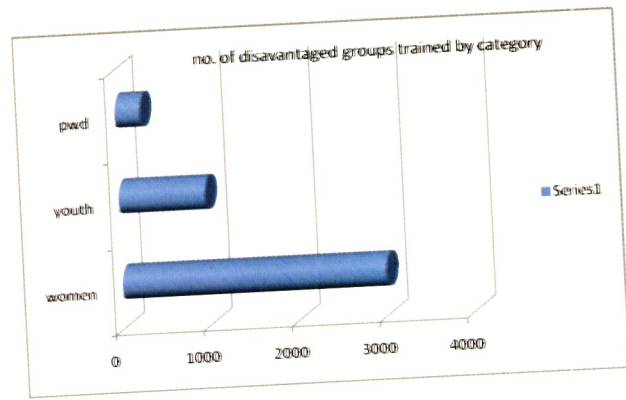


Figure 2.3.2: Distribution of participants from the disadvantaged group



Out of a total of 7,223 persons trained, 4,314 were from micro-enterprises owned by the disadvantaged groups (youth, women and PWDs), while 2,655 trainees were county staff and other national government public entities engaging in public procurement procedures but resident at the county level and 254 MCAs who were (PAC/PIC members from various 47 counties) as depicted in figure 2.3.1. It was noted that for the disadvantaged group category, majority of the trainees were women at 3,014, while the youths were 1,000 and PWDs were 300 as shown in the figure 2.3.2.

From the trainings, the issues that arose were addressed as shown in table 7.

Table 7: Emerging Issues and Recommendations from the Trainings

No.	Issues that Emerged during trainings	Actions suggested	Recommendation
1.	Poor attendance by certain target groups like PWDs, MCAs	Engage with other relevant stakeholders for mobilization	Constant publicity using relevant medium e.g. radio
2.	Duration of training Facilitation of participants (refund of transport allowance)	To reduce training content/topics to be covered during trainings	The Authority should either increase the numbers of contact hours by increasing the training days or reduce the training topics/contents
3.		The Authority to consider especially for PWDS	Policy document by the Authority to be developed to guide on transport reimbursement.

It was generally recommended that future trainings should be organized in partnership with the National Council for Persons with Disabilities, County Gender and Youth Officers and Micro and Small Enterprise Authority (MSEA) in order to improve the participation of youths and PWDs in the trainings.

It was also observed that attendance of the trainings by the MCAs who are members of PAC/PIC was low given that the Authority targeted to train 30 MCAs per county from the 15 counties bringing a total of 450 but only 254 attended. It was therefore recommended that for future trainings, different strategies should be employed to enhance their participation.

2.3.2 Training Impact Assessments/Action Plans

During the 2014/2015 Financial Year, the Authority conducted a training impact assessment for 12 sampled PEs implementing Vision 2030 flagship projects which had been trained by the Authority. The assessment aimed at establishing the impact of trainings on the procurement performance of the PEs. The major areas which the trainings were conducted then assessed were procurement planning, development of specifications, procurement methods, evaluation, and disposal procedures. The results were as follows;

Understanding Procurement Procedures prior to the PPOA training

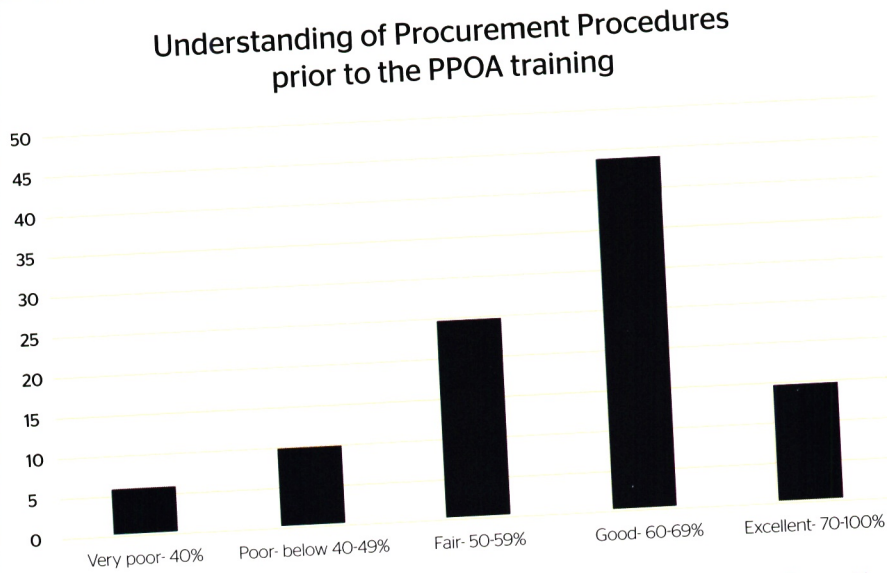
The assessment attempted to establish the prior understanding of application of public procurement procedures before the trainings through administration of questionnaires. The questionnaires were analysed and the findings were as presented in the table below.

Table 8: Distribution of responses on understanding of procurement procedures

Ratings Frequency	Percentage	(%)
Very Poor- 0-39%	4	5.9
Poor- 40-49%	7	10.3
Fair- 50-59%	17	25
Good- 60-69%	30	44.1
Excellent- 70-100%	10	14.7
TOTAL	68	100

As illustrated in table 2.3.2 above, 44.1% of the respondents had good knowledge and understanding of the application of public procurement procedures, 25% of the respondents had fair understanding while just 14.7% had excellent understanding of the application of public procurement procedures prior to attending the trainings organized by the Authority. 10.3% of the respondents had poor knowledge of public procurement procedures before trainings were conducted.

Fig. 2.2.3: Understanding of Public Procurement procedures prior to the PPOA training



Understanding the application of public procurement procedures after attending the PPOA trainings

In determining how useful the trainings were in relation to performance of staff roles, respondents were asked to rate their level of understanding and application of the procurement procedures after attending the PPOA training sessions. The results were analysed and presented as illustrated in figure 2.3.4.

Figure 2.3.4: Level of Understanding of public procurement after training

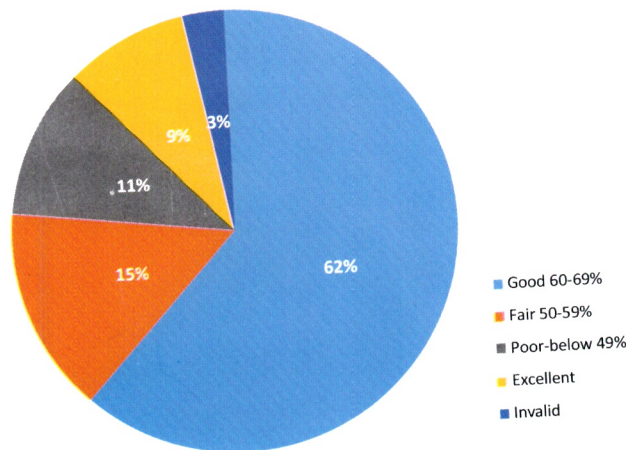


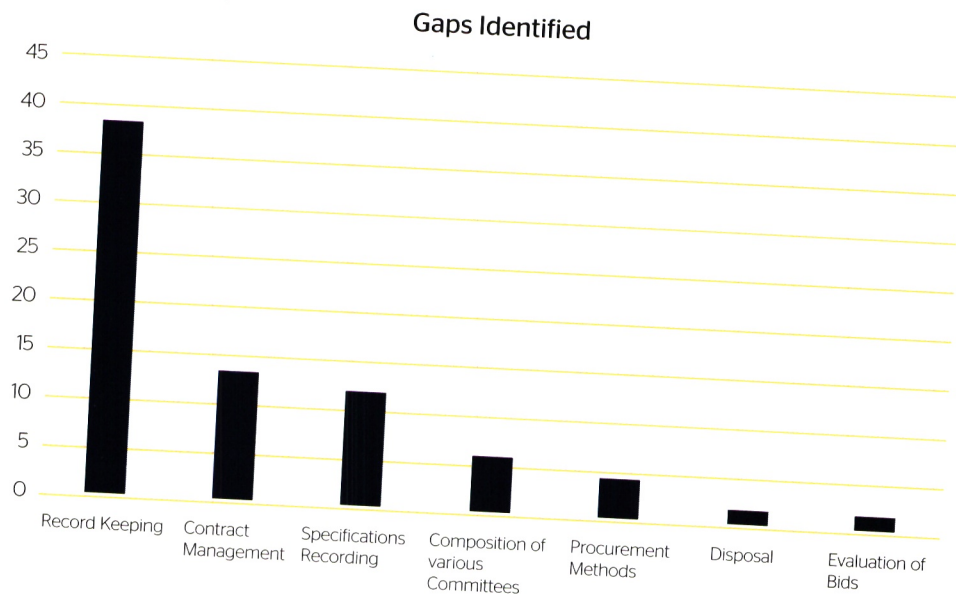
Figure 2.3.4 shows that 62% of the officers realized the usefulness of the trainings and achieved good understanding of the application of public procurement procedures, 15% had fair understanding, 20% excellent, while 3% of the responses were invalid.

i. Training Gaps Identified

Specific gaps identified were that procurement planning and budgeting still proved challenging and recorded the highest percentage of **38.2%**, contract management was second at **13.2%**; this was followed by development of specifications at **11.8%**. Composition of various committees and procurement methods were at **5.9%** and **4.4%** respectively. Disposal of public assets and evaluation of bids were least challenging each at **1.5%**.

This is graphically presented in figure 2.3.5. below.

Figure 2.3.5: Training Gaps Identified

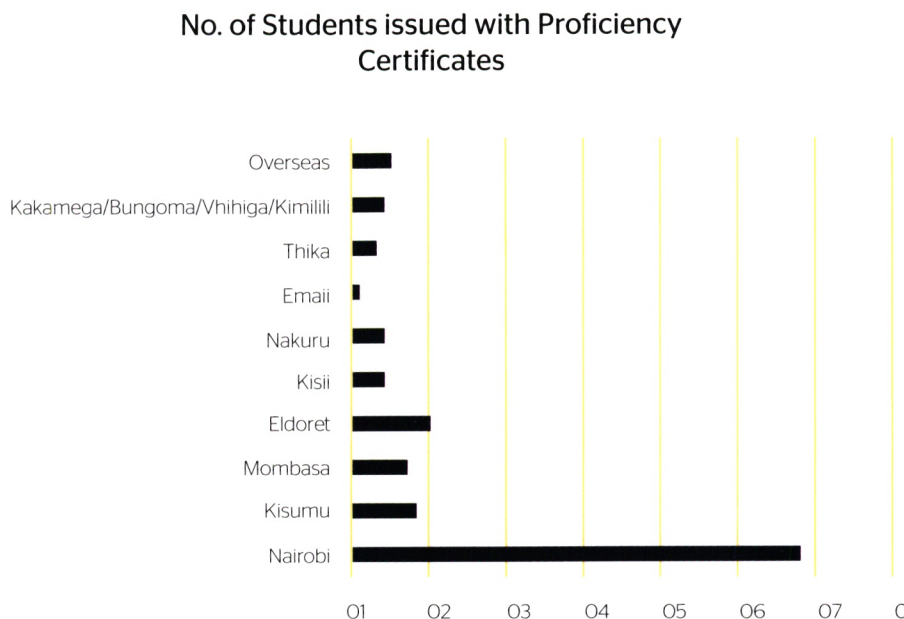


- Based on the assessment results, the following recommendations were made;
- a) The Authority should organize more trainings to demistify any misconceptions in public procurement and asset disposal produres and take care of latest regulations occasioned by new circulars issued from time to time.
 - b) Emphasis should be made on areas identified as most challenging such as;
 - i. Keeping of procurement records
 - ii. Procurement planning and budgeting
 - iii. Contract management
 - iv. Evaluation of bids
 - v. Implementation of the preference and reservations scheme
 - vi. Ethics and integrity in public procurement

2.3.3 Professional Development

The Authority has popularized the e-learning platform for officers who perform procurement processes at lower cadres especially in schools, health centres, and colleges who cannot access any professional training in public procurement. Under this, the Authority issued proficiency certificate to learners who have undergone the program. The e-learning students' distribution list as per the regions was as shown in figure 2.3.6. below.

Figure 2.3.6: Distribution of e-learning participants by regions



During the year, 400 trainees were enrolled under the program, but only 104 passed the proficiency exams and were issued with proficiency certificates. A total of 58 of the trainees were from Nairobi, 10 from Eldoret, 7 from Mombasa. Kisii, Nakuru and Western region had 4 trainees each while 5 of the trainees were reported to be working in other countries. Also during the 2014/2015 Financial Year, two modules were also added to the training program. These were; **how to fill tender documents** – targeting suppliers; and **procurement of consultancy services**. Through this program the Authority hopes to reach a wider range of stakeholders.

2.3.4 Minimizing Potential for Corruption

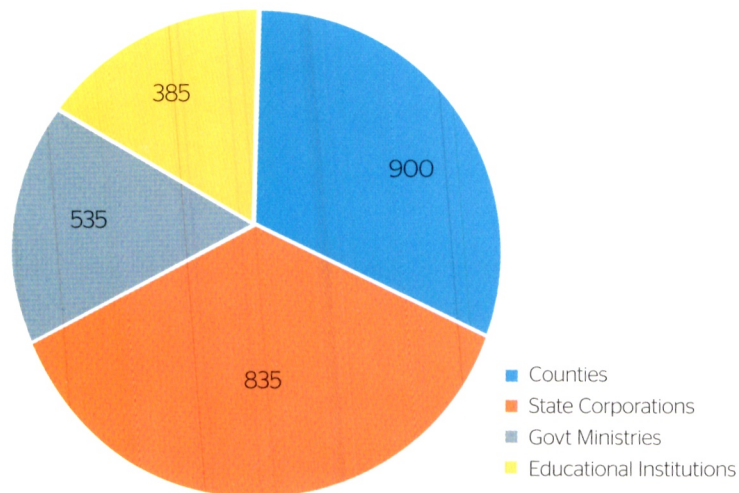
The Authority conducted trainings on the code of ethics for staff in PEs during its training for public officers who are involved in public procurement and asset disposal procedures. During 2014/2015 Financial Year, a total of 2,655 public officers were trained from various public entities broken down as: 900 from counties, 835 from State corporations, 535 from national government ministries and 385 from education institutions.



The Authority has also partnered with the Ethics and Anti-Corruption Commission (EACC) in building capacities on matters of ethics, integrity, conflict of interest, confidentiality in the public procurement process, collusion among others in order to improve on eliminating corruption in public procurement. Also, in partnership with EACC, a Code of Ethics for suppliers was being developed. Figure 2.3.7 presents the distribution of training by institutions.

Figure 2.3.7: Distribution of Public officers trained on the code of ethics

Persons trained on Code of Ethics



2.4 Policy, Research, Legal and Regulatory Framework

The Policy and Research function responds to the Authority's mandate in accordance with section 9(c) – provision of assistance in the implementation and operation of the public procurement system, section 9(d) – initiate public procurement policy and propose amendments to the Act, and section 92 – approving specially permitted procurement procedures. This section first provides updates on the service area annual work plan for the period under review and then uses suitable metrics to assess achievements under sections 9(c), 9(d) and 92 of the Act.

2.4.1 Development and Dissemination of Standard Documents

During the period under review, the Authority sustained dissemination of the previously developed Manuals and Standard Tender Documents to the procuring entities and the public. These manuals are meant to act as reference points for the procuring entities while the standard documents are meant to act as guidelines/templates for use by the procuring entities towards ensuring uniformity across the Republic. The manuals and standard documents are available and can be downloaded at the Authority's website: www.ppoa.go.ke.

2.4.2 Advisories Issued to PEs

Pursuant to section 9(c)(ii) of the Act, the Authority is mandated to continuously advise and provide technical assistance to the procuring entities when such requests are made. During the period under review, the Authority received 182 written requests for advice from the procuring entities. Over the period, many requests were received in the second half of the financial year totalling 94 compared to 88 in the first half of the year. On Quarterly basis, the Authority received a total of 54, 34, 50 and 44 requests for the first, second, third and fourth quarters respectively.

Over the months, most requests were received in March, 2015 and fewest in December 2014 at 23 and 5 respectively. The Authority reviewed and issued written advisories on all the requests received. In addition to the written advices, some were handled through phone calls and face to face discussions. Figure 2.4 below presents the distribution of the 182 request throughout the year¹.

¹Year refers in this case to the financial year.

Figure 2.4.1: Monthly distribution of requests for advice

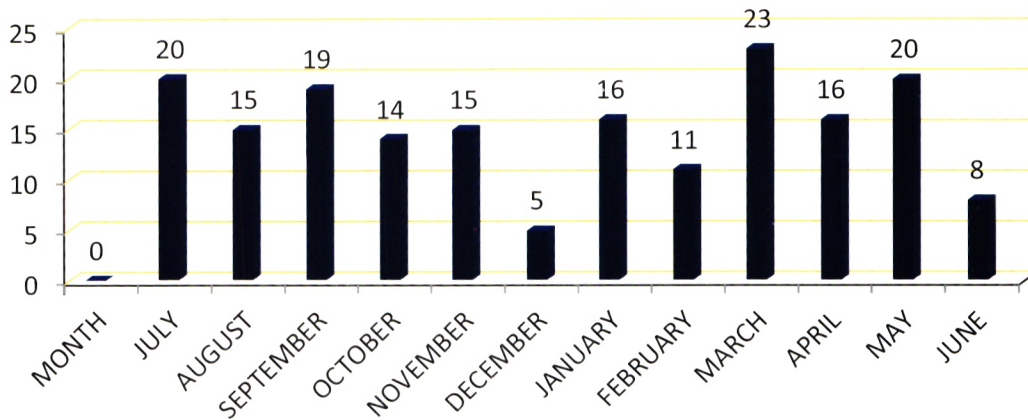


Table 9 below further shows the distribution of requests by procuring entities (PEs). from which more requests for advice were received from parastatals and lowest from Constitutional Commissions at 58 and 12 respectively.

Table 9: Distribution of requests for advice by the PE

CATEGORY	NO.OF ADVICES	Percent (%)
Parastatals	58	32
Commissions	12	7
Ministries	17	9
Counties	27	15
Schools	20	11
Others	48	26
TOTAL	182	100

Frequency of request for Advice by PEs

During the period under review, the Authority received requests for advice on various procurement matters from PEs; table 10 below and figure 2 highlights this.

Table 12: Status of requests on transfer of procurement responsibilities

Date request received	Source of Request (PE')	Nature of Request	Advice Given/Action taken	Date advised/ Ref No.
31/10/2014	Ministry of Industrialization and Enterprise Development.	Transfer of procurement responsibility for the implementation of Eldoret (SME) Park to Industrial and Commercial Development Corporation (ICDC)	Authority to transfer responsibility for management of the subject result procurement contract was granted pursuant to the provisions of Section 27(6) of the Act.	3/11/2014 PPOA 6/6(2)
21/07/2015	Deposit Protection Fund Board	Kenya Deposit Insurance Corporation- Transfer of procurement authority to Central Bank of Kenya.	Authority to transfer procuring responsibility to Central Bank of Kenya was granted pursuant to the provisions of Section 27(6) of the Act.	27/07/2015 PPOA/P/R/4/ VOL.I(2)

2.4.5 Development of Market Price Index

Pursuant to Section 30(3) of the Act, requiring that standard goods, services and works with known market prices shall be procured at the prevailing real market price, the Authority prepared Market Price Indices to help the PEs while implementing the procurement procedures as required in the Act. The market price indices were updated and availed at www.ppoa.go.ke.

2.4.6 Development and Review of the Public Procurement Laws and Policies

The Authority reviewed the Draft Public Procurement and Asset Disposal Bill, 2014 in liaison with the National Treasury, the Office of the Attorney General and Department of Justice, the Commission for the Implementation of the Constitution (CIC) and Cabinet Committees. This was to ensure consensus building on the provisions of the Bill and to pave way for its gazettment. The finalized Bill was gazetted on 8th December, 2014.

The purpose of the Bill is to give effect to the provisions of Article 227 of the Constitution of Kenya, 2010 and other connected matters on public procurement and assets disposal.

CHAPTER **3** PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW BOARD

3.1 Introduction

Section 25 of the PPDA, 2005 established the Public Procurement Administrative Review Board (PPARB). The Review Board has the mandate to receive and deliberate on complaints from candidates who claim to have suffered loss or damage due to the breach of a duty imposed on a procuring entity by the Act/Regulations. The Board is also mandated to review an order of the Director-General or review debarment of a person or firm from participating in public procurement proceedings.

The review process is integral to ensuring fairness, integrity and transparency of the public procurement system. The process also helps to enforce compliance with the Act further improving on the overall efficiency of the procurement system. In discharging this responsibility, the PPARB has strived to exercise impartiality and demonstrated consistency in its decisions. With the advent of devolution and the ensuing fiscal decentralization, the level of procurement activities in the counties is expected to increase, hence the need to decentralize the PPARB services to the counties.

3.2 Administrative Review of Procurement Proceedings

During the period under review, the Review Board received a total of 63 cases for review and determination. Twenty three (23) cases were successful (upheld), thirty three (33) cases were unsuccessful (rejected) and seven (7) cases were withdrawn as presented in table 3.1

Table 13: Status of cases lodged at the Review Board

Status of Appeals	Q1	Q2	Q3	Q4	Total (Annual)
Upheld	5	5	10	3	23
Dismissed	8	9	10	6	33
Withdrawn	0	1	4	2	7
Total	13	15	24	11	63
Average No. of Days	22	18	24	19	21 (average)
Referred for Judicial Review	1	1	1	1	4

3.3 Judicial Reviews

An independent appeal mechanism is provided for under section 100(1) of the PPDA, 2005 which states that 'a decision made by the Review Board shall be final and binding on the parties unless judicial review thereof commences within 14 days from the date of the Review Board's decision.'

Section 100(2) further specifies that any party to the review aggrieved by the decision of the Review Board may appeal to the High Court and the decision of the High Court shall be final.

However, and in accordance with Section 100(4), if judicial review is not declared within thirty days from the date of filing, the decision of the Review Board shall take effect.

During the period under review, four (4) Review Board decisions were referred to the High Court.

CHAPTER **4** STATUS ON SPECIALLY PERMITTED PROCUREMENT PROCEDURES

4.1 Introduction

The Authority is mandated to provide guidance and report on each procurement for which a procurement procedure was specially permitted under Section 92 of the Act, by way of listing such procurements. In specially permitting procedures, the Authority may exempt the procedure from the application of a provision of the General Procurement Rules (Part IV of the Act) or vary the application of such a provision. This section outlines the status of the requests received by the Authority on the specially permitted procedures.

4.2 Requests for Approval of Specially Permitted Procedures

During the period under review, the Authority received a total of fourteen (14) requests for approval of specially permitted procurement procedure from Nine (9) procuring entities. Of the fourteen requests, three (3) were approved; three were rejected and 8 were deferred.

Table 14 details the status of the requests and reasons for approval, rejection or deferment.

Table 14: Status of requests on specially permitted procurement methods

No.	Procuring Entity	Subject Procurement	Date Proposal Received	Approval/ Rejection/ Deferral	Date Responded	Reasons for Approval/ Rejection/ Deferral
1	Ethics and Anti-Corruption Commission	Request for approval of competitive negotiations procurement procedure in acquisition of office space	21/7/2014	Deferred	28/7/2014	Request not supported by requisite documents in line with Regulation 64(2) of the PPDR (Clarify if this should be here if it was finally approved)
			4/8/2014	Approved	18/8/2014	Requisite documents submitted in line with Regulation 64(2) of the PPDR

No.	Procuring Entity	Subject Procurement	Date Proposal Received	Approval/ Rejection/ Deferral	Date Responded	Reasons for Approval/ Rejection/ Deferral
2	County Government of Kakamega	Request for approval of design competition to source for county radio name and design county logo	31/7/2014	Deferred	11/8/2014	Request not supported by requisite documents in line with Regulation 64(2) of the PPDR
3	Jomo Kenyatta University of Agriculture and Technology	Request to proceed with an EOI process for financing and construction of various projects	1/8/2014	Deferred	21/8/2014	Clear with the National Treasury on the financing arrangements before proceeding with the procurement
4	National Oil Corporation of Kenya	Submission of list proposed for procurement under specially permitted procurement procedures	11/8/2014	Deferred	8/9/2014	Submit requisite documents in line with Regulation 64(2) of the PPDR
			6/11/2014	Approved	17/12/2014	Requisite documents submitted in line with Regulation 64(2) of the PPDR, 2006
5	County Government of Kakamega	Proposed procedure in sourcing for county radio name and design county logo	14/8/2014	Deferred	8/9/2014	Request not supported by requisite documents in line with Regulation 64(2) of the PPDR, 2006

No.	Procuring Entity	Subject Procurement	Date Proposal Received	Approval/ Rejection/ Deferral	Date Responded	Reasons for Approval/ Rejection/ Deferral
6	County Government of Bungoma	Request for approval of specially permitted procurement procedure in acquiring improved livestock	22/8/2014	Deferred	8/9/2014	Request not supported by requisite documents in line with Regulation 64(2) of the PPDR, 2006
7	Kenya Trade Network Agency	Request for authority to use specially permitted procurement procedure in procurement of disaster recovery equipment and active data guard	25/8/2014	Rejected	9/9/2014	No procedure was proposed and the subject items can be procured using the conventional procurement methods
8	Kenya Pipeline Company Ltd	Request for exemption from the requirements of Section 78(3) of the PPDA so as not to advertise expressions of interest	19/9/2014	Rejected	6/10/2014	Request for exemption not within PPOA powers/ mandate
9	South Nyanza Sugar Company Ltd.	Request for use of specially permitted procurement procedure in acquisition of leased land for irrigated sugar cane development.	1/10/2014	Deferred	17/10/2014	Request not supported by requisite documents in line with Regulation 64(2) of the PPDR, 2006
			5/12/2014	Approved	19/12/2014	Requisite documents submitted in line with Regulation 64(2) of the

CHAPTER **5** POSITIVE BIAS TO LOCAL PARTICIPATION

5.1 Introduction

The Public Procurement and Disposal Act, 2005 and its attendant regulations requires that Procuring Entities (PEs) report quarterly and annually on the contracts awarded to the preference and reservation group that includes Persons with Disabilities (PWDs) and women to the Authority. During the period under review, 22 PEs reported to the Authority on the number of contracts awarded and their values.

5.2 Preferences and Reservations

Table 15 presents the distribution of PEs by category where only 14 parastatals, 5 colleges and technical institutes reported and only one (1) ministry, county and university respectively reported as well to the Authority.

Table 15: Distribution of the 22 PEs that Reported

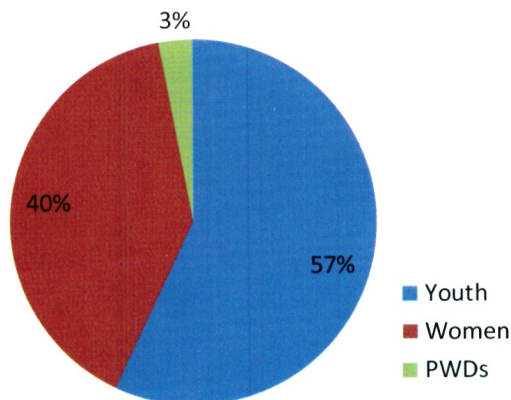
PE	Number	Names
Ministries	1	Ministry of Labour and Social Services
Parastatals	14	Kenya Bureau of Standards (KEBS); National Authority for Campaign Against Drug Abuse (NACADA); Constituency Development Fund Board Secretariat (CDF Board); National Construction Authority (NCA); National Council for Population and Development (NCPD); Export Processing Zones Authority (EPZA); National Industrial Training Authority (NITA); Competition Authority of Kenya (CAK); Water Services Trust Fund Kenya (WSTFK); Industrial and Commercial Development Corporation (ICDC); Lake Victoria North Water Services Board (LVNWSB); Media Council of Kenya (MCK); Kenya Roads Board (KRB); National Drought Management Authority (NDMA)
Universities	1	JKUAT
Colleges and Institutes	5	Muranga TC, Thika TTI, Machakos TC, Sangalo Institute Nairobi TTI
Counties	1	Kericho County
TOTAL	22	

From the analysis of the reports, the 22 PEs awarded a total of 485 contracts to the targeted groups with a total value of **KShs. 880,048,773.38**. Out of the 485 contracts, 16 were awarded to the PWDs while 193 and 276 were awarded to women and youth respectively. Further details are presented in table 16. Figures 1a and 1b further shows the percentage distribution of the contracts awarded and their values to the reservation and preference group.

Table 16: Summary of all contracts awarded by 22 PEs to the reservation and preference group

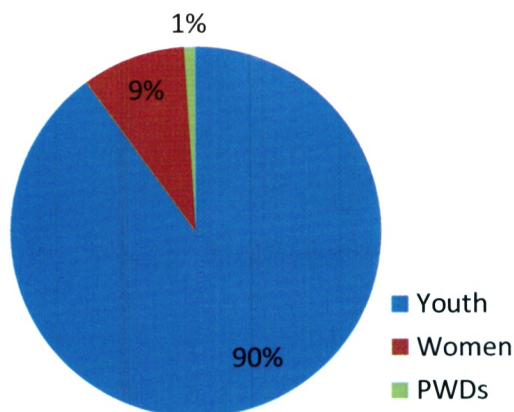
Groups	No. of Contracts	%	Contracts Value (KES)	%
Youth	276	57	798, 735, 128.58	90
Women	193	40	75, 327, 632.80	9
PWDs	16	3	5, 986,012	1
TOTAL	485	100	880,048,773.38	100

Figure 1a: Summary of Contracts Awarded to the Preference and Reservation Group



During the period under review, out of the 485 contracts awarded by 22 PEs that reported on the preference and reservation scheme, 57% were awarded to the Youth, 40% to the Women and 3% to the and PWDs as shown in figure 1a.

Figure1b: % Value of Contracts Awarded by PEs to the preference and Reservation Group



From figure 1b, out of the total of KShs. 880,048,773.38 spent by the 22 PEs that reported on the value of the 485 contracts awarded to the preference and reservation group, the Youth received a total of KShs. 798, 735, 128.58 representing **90%** of the contract value while women and PWDs received Kshs. 75, 327, 632.80 and KShs. 5, 986,012 representing **9%** and **1%** respectively.

Table 17 below shows a breakdown of 485 contracts awarded by 22 PEs to PWDs, Women and Youth; KEBs awarded the highest number of contracts at 93 to the groups under consideration representing 19.2% of the contract awards. This was followed by NACADA, EPZA, WSTFK, and KRB at 57, 51, 33 and 33 contracts respectively; representing 11.8%, 10.5%, 6.8% and 6.8% respectively amongst others. The figure 17 shows the distribution of the contracts by the PEs.

Table 17: Overall PE contract awards to PWDs, Women and Youth

NO.	ENTITY	PWD	WOMEN	YOUTH	TOTAL	%
1	KEBS	5	40	48	93	19.2
2	NACADA	5	8	44	57	11.8
3	CDF BOARD	2	6	4	12	2.5
4	NCA	2	10	10	22	4.5
5	Kericho County	1	2	17	20	4.1
6	NCPD	1	11	16	28	5.8
7	EPZA	0	0	51	51	10.5
8	NITA	0	23	6	29	6
9	Muranga TC	0	17	10	27	5.6
10	CAK	0	10	5	15	3.1
11	WSTFK	0	16	17	33	6.8
12	Thika TTI	0	0	1	1	0.2
13	ML&SS	0	11	5	16	3.3
14	Machakos TC	0	3	6	9	1.9
15	ICDC	0	8	0	8	1.6
16	LVNWSB	0	1	1	2	0.4
17	MCK	0	2	2	4	0.8
18	JKUAT	0	1	3	4	0.8
19	Sangalo Institute	0	1	0	1	0.2
20	Kenya Roads Board	0	23	10	33	6.8
21	NDMA	0	0	19	19	3.9
22	Nairobi TTI	0	0	1	1	0.2
TOTAL	22	16	193	276	485	100
%		3	40	57	100	

Figure 1c: Contract Awards to PWDs, Women and Youth per PE

All Contract Awards by PEs

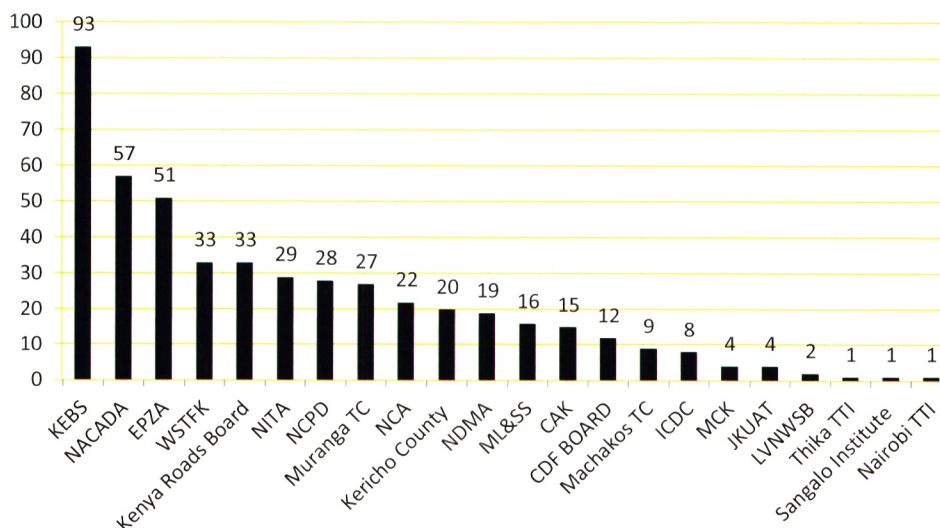


Table 18: Summary of aggregate contract amounts awarded by PEs to PWDs, women and youth during the 201/2015 FY

NO.	ENTITY	PWD	WOMEN	YOUTH	TOTAL	%
1	KEBS	804,980.00	5,422,447.00	22,796,423.00	29,023,850.00	3.30
2	NACADA	4,188,000.00	3,789,200.00	22,118,115.00	30,095,315.00	3.42
3	CDF BOARD	264,000.00	1,935,700.00	1,948,000.00	4,147,700.00	0.47
4	NCA	488,000.00	5,607,732.50	4,969,278.00	11,065,010.50	1.26
5	Kericho County	197,532.00	2,385,763.00	55,388,077.20	57,971,372.20	6.59
6	NCPD	43,500.00	2,190,685.00	1,896,460.00	4,130,645.00	0.47
7	EPZA	-	-	650,263,973.58	650,263,973.58	73.89
8	NITA	-	32,866,854.70	9,265,742.30	42,132,597.00	4.79
9	Muranga TC	-	8,446,890.00	6,335,979.00	14,782,869.00	1.68
10	CAK	-	5,823,306.00	4,423,327.00	10,246,633.00	1.16
11	WSTFK	-	947,591.00	4,276,590.00	5,224,181.00	0.59
12	Thika TTI	-	-	3,012,000.00	3,012,000.00	0.34
13	ML&SS	-	2,035,820.00	2,461,700.00	4,497,520.00	0.51
14	Machakos TC	-	211,751.00	2,455,180.00	2,666,931.00	0.30
15	ICDC	-	249,610.00	-	249,610.00	0.03
16	LVNWSB	-	19,200.00	52,000.00	71,200.00	0.01
17	MCK	-	145,185.00	543,960.50	689,145.50	0.08
18	JKUAT	-	163,000.00	1,425,600.00	1,588,600.00	0.18
19	Sangalo Institute	-	1,171,409.60	-	1,171,409.60	0.13
20	Kenya Roads Board	-	1,915,488.00	1,854,196.00	3,769,684.00	0.43
21	NDMA	-	-	1,408,527.00	1,408,527.00	0.16
22	Nairobi TTI	-	-	1,840,000.00	1,840,000.00	0.21
TOTAL	22	5,986,012.00	75,327,632.80	798,735,128.58	880,048,773.38	100.00
%		0.68	8.56	90.76	100.00	

Figure 1c: % Value of Contracts Awarded by PEs to the Preference and Reservation Group

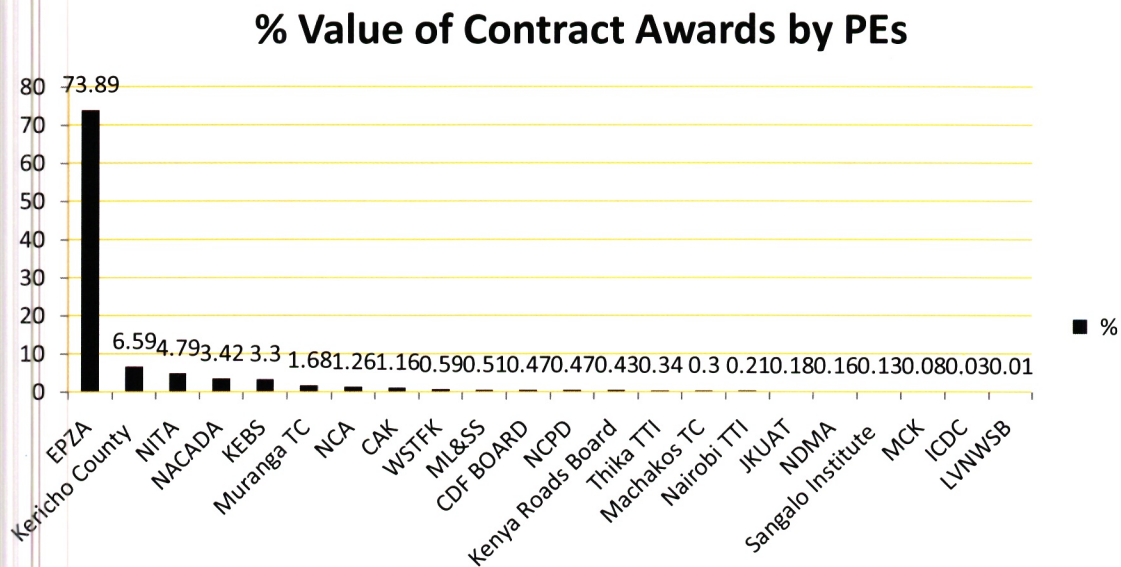


Table 18 presents the value of contracts awarded to the target groups by the PEs during the period under review. From the total amount, EPZA awarded the largest share representing 73.89% while Kericho County, NITA, NACADA, KEBS, Muranga Technical College, NCA and CAK accounted for 6.59%, 4.79%, 3.42%, 3.3%, 1.68%, 1.26% and 1.16% respectively. The rest of the 14 PEs contract values were below 1% of the total amount awarded as reflected in Fig. 1c.

CHAPTER MANAGEMENT OF INTERNAL ORGANIZATION

6.1 Procurement Division

In the 2014/15 FY, the Authority allocated Ksh. 27, 999,000 to special groups (Youth, Women and PWDs) in the Procurement Plan. As at the closure of the FY, the Authority spent Ksh. 19, 551, 628 representing 70% of the total allocation. The short fall in actual expenditure was occasioned by Circular 2 Of 2016 Dated 29th March 2016 from the National Treasury suspending the operations of the Tender Committees. The disaggregation of the procurement spend was as tabulated in the table below:

Category	Number of Contracts	Value(Kshs)	%
Women	17	7,761,688	39.7
Youth	14	9,972,244	51.0
Disabled	7	1,817,696	9.3
TOTAL	38	19,551,628	100

The table above indicates that the Youth were awarded more contracts with a representation of 51%, Women had 39.7% while the PWDs had 9.3% of the total contracts.

6.2 Human Resource Management

The Authority takes cognizance of the fact that employees are a key resource in the delivery and provision of service to the Authority and country at large. As such the Authority continued to invest heavily to improve human resource processes, policy development and application, training and development, adequate staff remuneration in addition to creating meaningful working structures among other initiatives. It is in view of this that the Authority during the year under review, conducted and completed a job evaluation. The job evaluation report was finalized and the recommendations earmarked for implementation.

Capacity and skills development is a strong pillar for improved performance in all institutions. In this regard, in the year under review, the Authority initiated capacity development for management teams, individual staff and Board members, through various trainings offered as shown in table below.

Course Title	No. of Officers Trained
Senior Management Course	4
Strategic Leadership And Development Program	3
Business Process Reengineering	17
Secure Computer User	10
Interagency Value for Money Audit resolution training	7
Benchmarking Study Visit to Malawi	4

Other officers in the Authority were facilitated to attend various professional trainings. They included: HIV & Aids prevention and management; risk management and corporate governance for the Board Members.

The Authority strives to professionalize all cadres within PPOA. In the year under review, the Authority approved and allocated for professional association and training to all employees and the information communicated to all.

The Authority also facilitated staff to attend the 7th East Africa Procurement Forum in Nairobi, Kenya. This was for the purpose of enhancing the sharing of experiences with other public procurement regulatory bodies within the East African region; more so on the best practices in the field of public procurement.

In addition, the Authority continued with the implementation of results-based performance management system, with a view to measuring and sustaining desired performance in the Authority. The Authority continued to embrace and leverage on efficient human resource processes and procedures to improve and enhance service delivery.

To this end, the Human Resource and Administration Department initiated the development of a comprehensive Human Resource Management Information System (HRMIS), whose successful implementation has been marked by the inception of an operational payroll processing system with self-service on payroll end processes and outputs and leave management processing modules in place. Further, transformation in the Authority management has been in the management of committees such as, Staff Advisory Committee, Gender & Disability mainstreaming, Alcohol and Drug Abuse (ADA) mainstreaming during the year under review, with a view to enhancing service delivery and staff welfare.

Implementation of the larger public sector reform agenda took centre stage during the year under review in the Authority. In this regard, the Human Resources and Administration Department implemented the work place policies and programs on HIV/AIDS in the workplace, Gender Mainstreaming and Disability mainstreaming in work place, Alcohol and Drug abuse prevention in work place and environmental protection among other initiatives throughout the financial year.

The Authority observed the 30% gender requirement on employment and promotion and affirmed equal employment opportunities in relation to ethnic balancing and availing opportunity to citizens living with disability. In addition, the Authority reconstituted the Gender and Disability, Alcohol and Drug Abuse, HIV & AIDS, and Committee to conform with the Performance Contract reporting requirements for the year.

Enhanced employee relation has been strengthened over the years in the Authority. Towards improving relations amongst employees, a team building event was organized for all staff. Employee facilitation, service provision and support was availed throughout the year. Clean office space and facilities, adequate transport management, medical and general insurances, were provided in a timely manner to all the staff throughout the year.

However, during the year under review, several members of PPOA left and joined other public entities; the Authority thus faced high staff turnover.

The Authority is also faced with inadequate office space for its staff members. In addition, there is inadequate space for record keeping as a result of accumulated documents which emanate from the authority's functions.

6.3 ICT Support Services

The ICT department provides the primary point of contact for end-user support, and offers a wide range of services that include initiation of ICT projects, management of computing equipment and software, technology training as well as spearheading of ICT policy implementation.

In order to enhance ICT governance and mainstream operations, the department developed a draft ICT Policy revolving around three pillars: Information Systems, Information Technology Security and Human Resources. The Policy aimed at achieving efficiency and effectiveness accruing from the application of ICT, and ultimately improving service delivery.

Over the years, the department has relied on on-premise management of ICT resources and this has stretched the available resources; equipment and staff, to the limit. The model requires huge capital expenditure and many well trained ICT officers. In response to the challenge, the department explored ways in which hosting or leasing service could be incorporated into the operations.

To enhance the internal operations of the Authority, automation of various functions were introduced as below:

- a) A Human Resource Management Information System (HRMIS) to automate the entire human resource management function was initiated. Some of the modules to be installed included payroll leave management, recruitment, performance management system, medical and master information records. It was envisaged that the system would enhance interaction of staff with the HR department making it easier to upload and retrieve personnel information.
- b) Electronic Document Management System (EDMS) was introduced to automate the documentation and records management function. The workflow would assist in file movement, tracking, approvals and retrieval.
- c) Obsolete heavy duty printers were phased out and a leasing model adopted for heavy and

- medium duty printers. This model was adopted so as to eliminate the huge initial capital outlay requirements as well as maintenance costs associated with owning such equipment.
- d) Laptop computers were acquired with an aim of achieving staff to computer ratio of 1:1.
 - e) Internet bandwidth was increased from 2 Mbps to 5 Mbps so as to ensure reliable internet connectivity.

6.4 Internal Audit

6.4.1 Introduction

The Authority's Internal Audit function is mandated to monitor the internal control systems through planned internal audit reviews carried out within the financial year.

The Internal Audit's role is to evaluate and give recommendations on the effectiveness of governance, risk management and control processes in the Authority. In the year under consideration, internal control deficiencies were brought to the attention of management and the Advisory Board through the Board Audit Committee.

To ensure the independence and objectivity of the Internal Audit, the department reports functionally to the Board Audit Committee and administratively to the Director General. The Internal Audit function has an approved Charter that serves as a guide in the performance of its duties. The charter defines the purpose, authority and responsibilities of Internal Audit function. It also provides a basis for the Board Audit Committee in evaluating the operations of the Internal Audit function.

6.4.2 Risk Management

Risk management is an integral part of the Authority's Strategic management. Risk is the potentiality that expected and unexpected events may have an adverse impact on the achievement of the Authority's objectives. Risk management aims at identifying, measuring and mitigating various risks that are intrinsic as well as extrinsic. The Advisory Board and management realized the centrality of risk management in the Authority and have continuously advocated for an overarching risk management culture in strategy implementation.

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

- i) Development of the 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.

6.4.3 Key risks facing the Authority

The Authority identified a number of key risks that were likely to impede the implementation of its objectives. Strategies to mitigate the identified risks were mapped out and an implementation action plan developed. The key risks facing the Authority and the mitigation measures included;

a) Compliance Audit Risk

While undertaking its mandate of monitoring the public procurement system and reporting on its overall functioning, the Authority was challenged in so far as establishing the compliance levels was concerned.

The mitigation measures for compliance audit risk included acquisition of supervisory rights to Procure to Pay (P2P) module of IFMIS; Strengthening the capacity of technical functions; Collaborations with other law enforcement agencies; Benchmarking with other Procurement regulators; and the development and operationalization of ICT based monitoring & evaluation systems.

b) High Employee Turnover

The Authority continued to face high employee turnover thus impeding on the achievement of the Authority's strategic objectives.

The mitigation measures included implementation of the job evaluation report; Instituting a Culture Change Management Programme; Implementing a comprehensive Performance Management System; Reviewing the Human Resources Policies and procedures; Implementation of mortgage and car loan schemes; Matching PPOA terms with similar organizations & Constitutional offices; In service graduate trainee programs; and Re-engineering of workflow processes & automation of core business operations.

c) Inadequate Financing

The mitigation measures included prudent financial management; Collaboration with development partners; Implementation of the internal revenue generation strategies; and lobbying for additional government funding.

d) Loss of Authority's and Clients' Records and Information

The mitigation measures include frequent trainings of staff on records and information management; Development of Business Continuity Plans; Development and

implementation of a records management policy; IT innovations; acquisition of adequate secure and convenient storage facilities; and development and operationalization of the ICT Policy.

e) Reputational Risks

The mitigation strategies included having a clear understanding of the Authority's mandate amongst the internal & external stakeholders; Review of service charter and sharing it with all the stakeholders; Rebranding; Implementation of customer feedback; Signing MOU's with strategic stakeholders; Communicating and enforcing the Authority's Code of Conduct and Ethics; and Developing and implementing the Anti- Corruption and Whistle blowing Policy.

f) Litigation Risks

The mitigation strategies included strengthening of the authority's legal capacity; acquisition of Professional indemnity Insurance; Promotion of amicable settlement of matters; and having a robust case management system for the Administrative review Board.

g) Occupational Safety, Health and Environmental Risks

The mitigation strategies included acquisition of alternative office space, strengthening the security capacity; staff training on safety and security matters; and implementing the Corporate Safety and Security Policy.

CHAPTER CONCLUSION AND RECOMMENDATIONS

7.1 Conclusion

Based on the findings from the activities the Authority implemented to monitor compliance by the procuring entities (PEs); it can be concluded that the public entities' compliance to the procurement law and regulations has remained a challenge. There is need therefore to strengthen the compliance monitoring, target capacity building and enforcement initiatives as part of increasing the compliance levels by the procuring entities. As part of achieving this objective, the Authority outlines recommendations as listed below.

7.2 Recommendations to Accounting Officers

The Authority asks the accounting officers to:

1. Ensure that the procurement unit is staffed with adequate procurement professionals who report directly to the head of the procuring entity.
2. Ensure that the procuring entities prepare annual procurement plans based on the approved budgets.
3. Institute internal mechanisms to ensure effective supervision of the procurement function including disciplinary measures for entities staffs who contravene the provisions of the procurement law.
4. Ensure timely submission of all the mandatory reports as prescribed in the procurement law to the Authority.
5. Ensure that a minimum of thirty percent of the entity's budgetary allocations is reserved for enterprises owned by Women, Youth and Persons with Disabilities.
6. Ensure that the tender notices issued by the entity is compliant with the requirements of the procurement law.

7.3 Recommendations to the Government

To facilitate smooth operation of the procurement system, the Government should:

1. Fast track finalization of the Draft Public Procurement and Asset Disposal Bill, 2014.
2. Provide for sanctions on non-compliance with the procurement law by persons participating in public procurement system.
3. Strengthen the Authority's oversight role by providing additional human and financial resources to mitigate the risks identified in 6.4.3.

CHAPTER **8**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2015**

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



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2015**

REPUBLIC OF KENYA

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P.O. Box 30084-00100
 NAIROBI

OFFICE OF THE AUDITOR-GENERAL

**REPORT OF THE AUDITOR-GENERAL ON PUBLIC PROCUREMENT
 OVERSIGHT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2015**

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Public Procurement Oversight Authority set out on pages 29 to 49, which comprise the statement of financial position as at 30 June 2015, 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 14 of the Public Audit Act 2003. 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 13 of the Public Audit Act, 2003.

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 15(2) and (3) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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

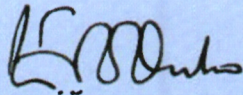
Public Procurement Oversight Authority - Annual Report and Financial Statements for the year ended 30 June 2015

of the financial 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 management, 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 the Authority as at 30 June 2015, 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 Disposal Act, 2005.



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

Nairobi

17 February 2016

KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

The Public Procurement Oversight Authority (PPOA) is a public body established under the Public Procurement and Disposal Act (PPDA), 2005. The Authority was established on 1st January, 2007 when the Public Procurement and Disposal Regulations (PPDR), 2006 came into operation. In addition, the Act established the Public Procurement Oversight Advisory Board (PPOAB) and the Public Procurement Administrative Review Board (PPARB). The Authority is among other responsibilities charged with ensuring that all procurement entities observe the provisions of the PPDA 2005 and PPDR 2006 issued by the Authority.

b) Principal Activities

The functions of PPOA are set out in Section 9 of the Act. These are:

- i) Ensuring that procurement procedures established under the Act are complied with;
- ii) Monitoring and reporting on the public procurement system and recommending improvements;
- iii) Assisting in the implementation and operation of the public procurement system by;
 - Preparing and distributing manuals, guidelines, standard procurement documents and formats to be used by procuring entities,
 - Providing advice and assistance to procuring entities,
 - Act on complaints received from stakeholders
 - Developing, promoting and supporting the training and professional development of the persons involved in procurement,
 - Issuing written directions to public entities with respect to procurement including the conduct of procurement proceedings and dissemination of information on procurements, and
 - Ensuring that procuring entities engage procurement professionals in their procurement.
- iv) Initiating public procurement policy and propose amendments to the Act; and
- v) Performing such other functions and duties as are provided for under the Act.

c) Key Management

PPOA'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 & Administration

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 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 & Administration
Lucy J.Barno (Ms)	Manager, Corporate Services
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
Kenya National Audit Office
P.O. Box 30084-00100
Nairobi, Kenya

i) Principal Legal Adviser

The Attorney General
State Law Office
P.O. Box 30084-00100
Nairobi, Kenya

REPORT OF THE BOARD

The Board presents the annual report together with the audited financial statements for the year ended 30 June 2015.

Principal Activities

The primary activity of Public Procurement Oversight Authority (PPOA), which was established as a body corporate by The Public Procurement and Disposal Act, 2005, Section 8, is to ensure that the procurement procedures as established under this Act are complied with. The same Act provides the functions of the Authority in detail under Section 9.

Results

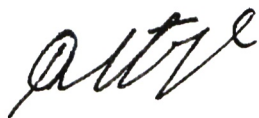
The results of the entity for the year ended 30th June 2015 are set out on page 29.

Members of the Board

Public Procurement Oversight Authority uniquely has two boards; namely the Public Procurement Oversight and Advisory Board (PPOAB) and the Public Procurement Administrative Review Board (PPARB). The Advisory Board advises the Authority generally on the exercise of its powers and the performance of its functions. On the other hand, the Administrative Review Board deals with complaints and disputes arising from procurement processes in the Public Sector. The Members of the two Boards who served during the year are shown on Page 6.

Auditor

The auditor of the Authority for the financial year (2014/2015) was the Auditor-General in accordance with The Public Audit Act, 2003 and the Public Procurement and Disposal Act, 2005.



CPA Patrick Mtange, FCPAK.
Chairman, PPOAB

STATEMENT OF MANAGEMENT RESPONSIBILITY

Section 19 the Public Procurement and Disposal Act, 2005 provides that, the Authority shall be audited in accordance to the Public Audit Act, 2003.

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, 2015. 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, 2003. 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 2014. 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 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

The Authority's financial statements were approved by the Public Procurement Oversight advisory Board on 22nd September, 2015 and signed on its behalf by the chairman.



**M.J.O JUMA, MBS
DIRECTOR GENERAL**

REPORT OF THE AUDITOR-GENERAL

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2015

REVENUE	Note	2015 Ksh	2014 Ksh
Revenue from non-exchange transactions			
Unconditional Government Grants	2	386,947,903	305,992,505
Revenue from exchange transactions			
Rendering of services	3	7,009,307	7,059,313
Finance Income	4	12,623,309	9,515,964
Other Income	5	1,081,899	253,700
Total Revenue		<u>407,662,418</u>	<u>322,821,482</u>
EXPENSES			
Employee Costs	6	159,170,789	145,832,396
Board Allowances & Expenses	7	34,904,736	35,373,741
General Expenses	8	118,530,124	80,961,057
Repairs and Maintenance	9	2,585,521	2,542,505
Depreciation and Amortization	10	17,076,399	16,255,814
Total Expenses		<u>332,267,568</u>	<u>280,965,513</u>
Surplus / (Deficit) for the year		<u>75,394,850</u>	<u>41,855,969</u>

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2015

	Note	2015 Ksh	2014 Ksh
ASSETS			
Current Assets			
Cash and cash equivalents	11	285,753,258	229,506,872
Receivables from exchange transactions	12	26,670,377	10,314,440
Receivables from non-exchange transactions	13	531,293	115,120
		312,954,928	239,936,432
Non-current Assets			
Property, Plant and Equipment	14	21,363,392	24,233,229
Intangible Assets	15	1,278,206	5,033,730
Total Non-Current Assets		22,641,598	29,266,959
Total Assets		335,596,526	269,203,391
LIABILITIES			
Current Liabilities			
Trade & Other Payables from exchange transactions	16	19,425,026	28,459,622
Provisions	17	672,800	790,000
		20,097,826	29,249,622
Net Assets			
Revaluation Reserve	18	4,473,217	6,709,826
Revenue Reserve	19	311,025,483	233,243,943
Total Net Assets and Liabilities		335,596,526	269,203,391

The financial statements on page 29 to 49 were approved by the Public Procurement Oversight Advisory Board on 22nd September, 2015. Signed on its behalf by:



CPA Patrick Mtange, FCPAK.
Chairperson PPOAB

Date: 23.09.2015



M.J.O Juma, MBS
Director General

Date: 23.09.2015

STATEMENT OF CHANGES IN NET ASSETS THE YEAR ENDED 30TH JUNE 2015

	Revenue Reserve Ksh	Capital Reserve Ksh	Revaluation Reserve Ksh	Total Ksh
Balance as at 30/06/2013	145,490,339	43,661,026	0	189,151,365
Asset revaluation	0	0	8,946,435	8,946,435
Restatement of reserves	43,661,026	(43,661,026)	0	0
Transfer to revenue reserve	2,236,609	0	(2,236,609)	0
Surplus for the year	41,855,969	0	0	41,855,969
As at 30/06/2014	<u>233,243,943</u>	<u>0</u>	<u>6,709,826</u>	<u>239,953,769</u>
Transfer to revenue reserve	2,236,609	0	(2,236,609)	0
Reversal of Provision	150,081	0	0	150,081
Surplus for the year	75,394,850	0	0	75,394,850
As at 30/06/2015	<u>311,025,483</u>	<u>0</u>	<u>4,473,217</u>	<u>315,498,700</u>

STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2015 Ksh	2014 Ksh
Receipts			
Unconditional Government Grants		386,947,903	305,992,505
Rendering of services		7,009,307	7,059,313
Finance Income		12,623,309	9,515,964
Other Income		1,081,899	253,700
		<u>407,662,418</u>	<u>322,821,482</u>
Payments			
Employee Costs		159,170,789	145,832,396
Board Allowances & Expenses		34,904,736	35,373,741
General Expenses		118,530,124	80,961,057
Repairs and Maintenance		2,585,521	2,542,505
		<u>315,191,169</u>	<u>264,709,699</u>
Net Cash flows from Operating Activities	20	<u>66,697,424</u>	<u>5,998,854</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of tangible assets		(9,391,037)	(393,995)
Acquisition of intangible assets		(1,060,001)	-
Net cash flow from Investing Activities		<u>(10,451,038)</u>	<u>(393,995)</u>
Net changes in Cash and Cash Equivalents		<u>56,246,386</u>	<u>5,604,859</u>
Cash & Cash Equivalents as at 1st July 2014		<u>229,506,872</u>	<u>223,902,013</u>
Cash & Cash Equivalents as at 30th June 2015		<u>285,753,258</u>	<u>229,506,872</u>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget Kshs	Adjustment Kshs	Final Budget Kshs	Actual on Comparable basis (Kshs)	Performance Difference Kshs	Note
Revenue						
Government Grants	330,500,000	53,000,000	383,500,000	386,947,903	3,447,903	
Rendering of services	5,000,000	0	5,000,000	7,009,307	2,009,307	
Other income	5,000,000	0	5,000,000	13,705,208	8,705,208	
Revenue reserves	136,266,950	0	136,266,950	136,266,950	0	
Total Revenue	476,766,950	53,000,000	529,766,950	543,929,368	14,162,418	
Expenses						
Employee Costs	244,200,000	(3,800,000)	240,400,000	159,170,789	81,229,211	a
Board Expenses	27,788,000	9,800,000	37,588,000	34,904,736	2,683,284	
General Expenses	156,978,950	15,000,000	171,978,950	118,530,124	53,448,826	b
Repairs & Maintenance	8,900,000	(1,000,000)	7,900,000	2,585,521	5,314,479	
Depreciation & Amortization	6,000,000	0	6,000,000	17,076,399	(11,076,399)	
Purchase of Assets	32,900,000	33,000,000	65,900,000	57,084,095	8,815,905	27
Total Expenses	476,766,950	53,000,000	529,766,950	389,351,663	140,415,287	
Surplus / Deficit for the year	0	0	0	154,577,705	154,577,705	

- a. **Employee Costs:** The balance is attributed to funds allocated to rolling out the staff loan scheme and operationalization of regional offices (staff recruitment). Concurrence to implement the two activities was sought from the National Treasury but had not been granted by end of the financial year.
- b. **General Expenses:** Includes funds for consultancy to undertake Country Procurement Assessment received towards end of the financial year, operationalization of Capacity Building Levy and the new procurement law (countrywide sensitizations and developing manuals, guidelines etc).

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.

(d) Revenue Recognition

i. Revenue from non-exchange transactions

a) 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.

b) 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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

(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 at the Central Bank of Kenya and at various commercial banks 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED**(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.

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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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	2015	2014
	Kshs	Kshs
Operational grants received from Treasury	<u>386,947,903</u>	<u>305,992,505</u>

3. Rendering Services

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

Description	2015	2014
	Kshs	Kshs
Income from appeals	<u>7,009,307</u>	<u>7,059,313</u>

4. Finance Income – External Investments

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2015	2014
	Kshs	Kshs
Gross Interest Income	14,630,630	11,062,691
Less: Withholding Tax	(2,007,321)	(1,546,727)
Net Interest Income	<u>12,623,309</u>	<u>9,515,964</u>

5. Other Income

This includes income from the sources listed below:

	2015	2014
Description	Ksh	Ksh
Medical Insurance re-imburement	256,833	100,000
7th EAPF Sponsorship	750,000	0
Sale of tender	26,000	7,000
Disposal of waste paper	23,206	0
Insurance Compensation	25,860	146,700
Total	<u>1,081,899</u>	<u>253,700</u>

Revenue from sale of tenders was reported on a separate line in 2013/2014 financial statements but has now been categorized under other income.

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:

	2015	2014
	Ksh	Ksh
Salaries and wages	81,701,380	75,836,537
Contributions to pensions	15,303,110	13,897,322
Housing benefits & allowances	41,892,889	40,486,924
Car Park expenses	4,704,960	4,002,000
Club membership	488,400	195,500
Staff welfare	3,359,906	708,745
Travel, accommodation & subsistence	11,720,144	10,705,368
Total	<u>159,170,789</u>	<u>145,832,396</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. Board allowances and expenses

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

	2015	2014
Administrative Review Board expenses	6,784,178	3,219,085
Administrative Review Board Emoluments	14,857,000	20,474,387
Car park expenses	2,394,240	2,296,800
Advisory Board expenses	4,429,318	580,471
Advisory Board Emoluments	6,440,000	8,802,998
Total	<u>34,904,736</u>	<u>35,373,741</u>

8. General Expenses

Below are the general expenses of the Authority.

Description	2015 Ksh	2014 Ksh
Advertising	9,483,015	8,558,536
Audit fees	765,600	580,000
Bank charges	207,452	155,345
Branding PPOA	1,240,000	504,469
Car park expenses	445,440	403,680
Catering	2,171,845	0
Cleaning Services Fees	1,756,820	2,241,004
Conference and delegations	6,040,409	11,029,988
Consulting Fees	17,074,199	11,076,769
Consumables	587,997	165,400
Corporate Social Responsibility	591,493	776,643
Corruption Prevention & Awareness	23,200	0
East Africa Procurement Forum	27,553,875	1,088,321
Fuel and Oil	1,331,620	1,560,647
Hire Fees	0	9,800
Insurance Costs	3,033,617	2,984,092
ISO	11,600	0
Legal expenses	128,630	172,955
Medical & Personal Accident	12,545,941	13,948,346
Newspapers/Journals	226,340	36,120
Other Operating costs	1,505,908	1,461,346

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Printing & stationery	1,766,252	1,250,884
Rental	9,841,440	8,696,080
Security Costs	2,340,874	1,144,661
Software upgrades and licences	3,135,410	1,494,499
Staff recruitment and induction	247,780	267,715
Staff uniform	265,197	0
Strategic Plan	90,000	0
Telecommunication	5,482,386	4,490,773
Trade shows and exhibitions	104,470	420,160
Training	4,684,980	3,546,444
Travel Costs	3,846,334	2,896,380
Total	<u>118,530,124</u>	<u>80,961,057</u>

9. Repairs and Maintenance

The Authority spent Ksh 2,585,521 on maintenance of vehicles, equipment, computers and general maintenance. A breakdown of the expenditure is shown below:

	2015 Ksh	2014 Ksh
Vehicles	350,103	768,875
Equipment	1,663,021	1,518,452
Property	572,397	255,178
Total	<u>2,585,521</u>	<u>2,542,505</u>

10. Depreciation and Amortization

	2015 Ksh	2014 Ksh
Property and equipment	12,260,875	11,506,049
Intangible assets	4,815,524	4,749,765
Total	<u>17,076,399</u>	<u>16,255,814</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

11. Cash and Cash Equivalents

	2015	2014
	Ksh	Ksh
Bank	19,753,258	3,506,872
Cash on hand and in transit	0	0
Short-term deposits	266,000,000	226,000,000
Total	<u>285,753,258</u>	<u>229,506,872</u>

12. Receivables from exchange transactions

	2015	2014
	Ksh	Ksh
Prepaid car park expense	7,683,840	7,544,640
Prepaid consultancy fee	0	2,769,800
Prepaid Motor Vehicles	18,288,123	0
Prepaid Fuel	334,414	0
Rent deposit–Mombasa Office	364,000	0
Total	<u>26,670,377</u>	<u>10,314,440</u>

13. Receivables from non-exchange transactions

	2015	2014
	Ksh	Ksh
Imprest advance	488,388	41,120
Salary advance	42,905	74,000
Total	<u>531,293</u>	<u>115,120</u>

14. Property, Plant & Equipment

	Motor Vehicles	Computer & Equipment	Furniture & Fittings	Office Partitions	Total
Cost	Ksh	Ksh	Ksh	Ksh	Ksh
At 1st July 2013	23,114,912	35,257,440	10,309,108	43,135,783	111,817,243
Additions	0	318,995	75,000	0	393,995
Revaluations	8,946,435	0	0	0	8,946,435
Disposals	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Cost	Motor Vehicles Ksh	Computer & Equipment Ksh	Furniture & Fittings Ksh	Office Partitions Ksh	Total Ksh
As at 30th June 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	0	0
Disposals	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0
As at 30th June 2015	32,061,347	43,233,930	11,565,908	43,687,525	130,548,710
Depreciation & Impairment					
At 1st July 2013	18,282,348	33,092,327	5,053,661	28,990,058	85,418,394
Depreciation	3,489,109	1,319,962	1,305,005	5,391,973	11,506,049
Impairment	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0
As at 30th June 2014	21,771,457	34,412,289	6,358,666	34,382,031	96,924,443
Depreciation charge for the year	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
As at 30th June 2015	25,260,566	36,394,761	7,687,019	39,842,972	109,185,318
Net book values					
As at 30th June 2015	6,800,781	6,839,169	3,878,889	3,844,553	21,363,392
As at 30th June 2014	10,289,890	1,164,146	4,025,442	8,753,752	24,233,229

15. Intangible assets

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

Cost	Ksh
At 1st July 2013	32,095,513
Additions	-
Disposals	-
Transfers/adjustments	-
As at 30th June 2014	32,095,513
Additions	1,060,000
Disposals	-
Transfers/adjustments	-
As at 30th June 2015	33,155,513

Amortization and Impairment

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Cost	Ksh
At 1st July 2013	22,312,018
Amortization	4,749,765
Impairment loss	-
Transfers/adjustments	-
As at 30th June 2014	27,061,783
Amortization	4,815,524
Impairment loss	-
Transfers/adjustments	-
As at 30th June 2015	31,877,307
Net book values:	
As at 30th June 2015	1,278,206
As at 30th June 2014	5,033,730

16. Trade & Other Payables from exchange transactions

	2015	2014
	Ksh	Ksh
Trade Payables	19,425,026	26,743,720
Other Payables	-	1,715,902
Total	19,425,026	28,459,622

17. Provisions

	Pension	Audit	Total
	Ksh	Ksh	Ksh
Balance as at 30th June 2014	210,000	580,000	790,000
Provisions utilized	(59,919)	(580,000)	(639,919)
Provisions reversed in the year	(150,081)	0	(150,081)
Provisions raised in the year	-	672,800	672,800
Balance as at 30th June 2015	-	672,800	672,800

Provision for pension had been estimated at Ksh 210,000 in 2013/2014 but the actual amount paid out in 2014/2015 was Ksh 59,919. The estimated has been adjusted in line with IPSAS 3 paragraph 41.

18. Revaluation Reserve

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2015 Ksh
Revenue Reserve balance as at 30th June 2014	6,709,826
Transfer to revenue reserve	(2,236,609)
Balance as at 30th June 2015	4,473,217

19. Revenue Reserve

The movement in revenue reserves for the year ended 30th June 2015 is shown below:

	2015 Ksh
Revenue Reserve balance as at 30th June 2014	233,243,943
Transfer from Revaluation Reserve	2,236,609
Reversal of Provision	150,081
Surplus for the year	75,394,850
Balance as at 30th June 2015	311,025,483

20. Cash generated from operations

A computation of the net cash flows generated from operating activities during the year under review of Ksh 66,697,424 is as below:

	2015 Ksh	2014 Ksh
Surplus / Deficit for the year	75,394,850	41,855,969
Adjusted for:		
Depreciation	12,260,875	11,506,049
Amortization of intangible assets	4,815,524	4,749,765
Reversal of Provision to Surplus	150,081	0
Cash flows from operating activities before working capital changes	92,621,330	58,111,783
Working capital changes		
Increase/(Decrease) in Trade and other payables	(9,034,596)	(32,783,959)
Decrease/(Increase) in receivables and prepayments	(16,772,110)	(3,651,890)
Increase/(Decrease) in provisions	(117,200)	(15,677,080)
Net Cash flows from Operating Activities	<u>66,697,424</u>	<u>5,998,854</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

21. Financial Instruments

The Authority was not holding neither did it have issued financial instruments as at 30th June 2015.

22. Contingent Assets

The Authority had no contingent assets as at 30th June 2015.

23. Contingent Liabilities

Litigation Matters: As at 30th June 2015, 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.

24. Operating Lease Rentals

The Authority has two rental lease agreements under which it will pay Ksh 63,635,000 over the next 5 years. The details are as below:

Lease with National Bank of Kenya:

Period	Ksh
1st July 2015 to 30th June 2016	13,920,000
1st July 2016 to 30th June 2019	41,760,000
Total	55,680,000

Lease with Mombasa Trade Centre:

Period	Ksh
1st July 2015 to 30th June 2016	1,266,720
1st July 2016 to 30th June 2020	6,688,280
Total	7,955,000

25. 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.

26. Restatement of Comparative figures

Prior period errors of Ksh 5,840,646 discovered in the current financial year have been corrected and the affected comparative prior amounts restated in line with IPSAS 3 paragraph 46 and 47. The

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

affected expenditure categories are as shown below (See Annex 1 for details):

Expenditure Item	Audited	Restated	Difference
	FY 2013/14Ksh	FY 2013/14Ksh	Ksh
Employee costs	149,817,097	145,832,396	3,984,701
General expenses	82,817,002	80,961,057	1,855,945
Total	232,634,099	226,793,453	5,840,646

The restatement also affected the trade payables figure (Note 16) as this had been overstated. Details are as provided below:

Expenditure Item	Amount Ksh	Remarks
Consulting Fees	5,719,505	Payables overstated
Conferences & Delegations	23,679	Payables overstated
Training	97,462	Payables overstated
Total	5,840,646	

27. Purchase of Assets

Purchase of fixed assets Ksh 57,084,095 reported in the statement of comparison of budget and actual amounts comprises of the following:

Details	Amount (Ksh)
Assets acquired and captured in asset register	10,451,037
Assets for which payment had been made as at 30.06.2015 and awaiting delivery	18,288,123
Assets budget for acquisition in the year and funds committed on as procurement process had been concluded.	28,344,935
Total	57,084,095

10	KRB	10	3.6
11	NITA	6	2.2
12	Machakos TC	6	2.2
13	CAK	5	1.8
14	ML&SS	5	1.8
15	CDFB	4	1.4
16	JKUAT	3	1.1
18	MCK	2	0.7
18	LVNWSB	1	0.4
19	Nairobi TTI	1	0.4
20	Thika TTI	1	0.4
TOTAL		276	100

5. Summary of Value of Contract Awards to the Youth in the 2014/2015 FY

Table 24: Summary of value of contract awards to the youth in the 2014/2015 FY

NO	ENTITY	AMOUNT (KES)	%
1	EPZA	650,263,973.58	81.41
2	Kericho County	55,388,077.20	6.93
3	KEBS	22,796,423	2.85
4	NACADA	22,118,115	2.77
5	NITA	9,265,742.30	1.16
6	Muranga TC	6,335,979	0.79
7	NCA	4,969,278	0.62
8	CAK	4,423,327	0.55
9	WSTFK	4,276,590	0.54
10	Thika TTI	3,012,000	0.38
11	ML&SS	2,461,700	0.31
12	Machakos TC	2,455,180	0.31
13	CDFB	1,948,000	0.24
14	NCPD	1,896,460	0.24
15	KRB	1,854,196	0.23
16	Nairobi TTI	1,840,000	0.23
17	JKUAT	1,425,600	0.18
18	NDMA	1,408,527	0.18
19	MCK	543,960.50	0.07
20	LVNWSB	52,000	0.01
TOTAL		798,735,128.58	100

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