

PPRA

PUBLIC PROCUREMENT
REGULATORY AUTHORITY

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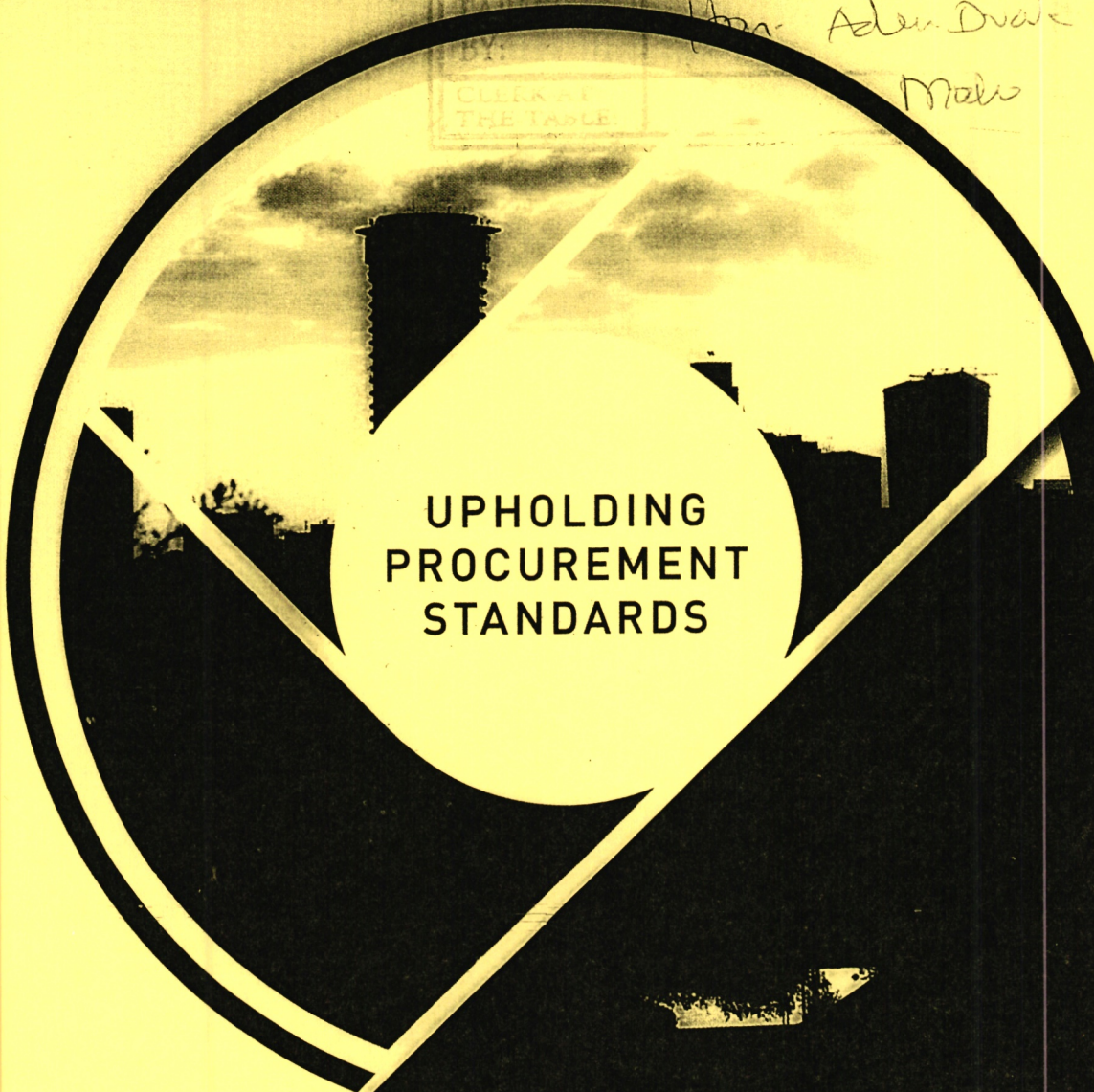
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UPHOLDING
PROCUREMENT
STANDARDS

30th JUNE 2017

Prepared and issued in accordance with Section 20 (2) (a) of the Public Procurement and Asset Disposal Act, 2015.

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 27 FEB 2018	DAY: Wed.
TABLED BY:	Hon. Aden Duale
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Public Procurement Regulatory Authority

10th & 11th Floor, National Bank Building, Harambee Avenue,

P.O. Box 58535-00200, Nairobi, Kenya

Tel: +254-2-3244000

E-mail: info@ppra.go.ke, feedback@ppra.go.ke

Website: www.ppra.go.ke

PPRA Annual Report 2016 - 2017

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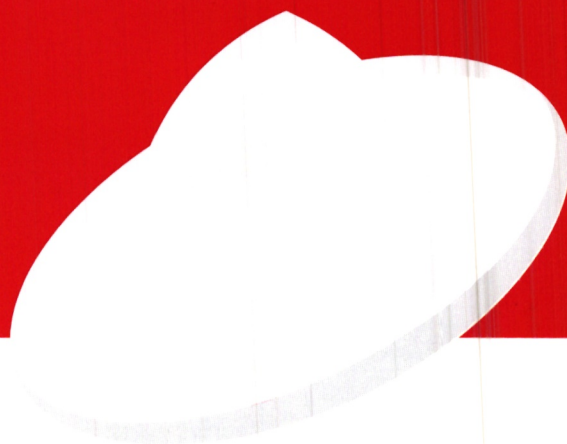
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LIST OF ABBREVIATIONS AND ACRONYMS

AGPO	Access to Government Procurement Opportunities
ASK	Agricultural Society of Kenya
BPR	Business Process Reengineering
CAJ	Commission on Administrative Justice
CPD	Continuous Professional Development
EAC	East African Community
EAPPF	East African Public Procurement Forum
ECD	Early Childhood Development
EOI	Expression of Interest
GIZ	Gesellschaft Fur Internationale Zusammenarbeit
ICT	International Communication Technology
IFMIS	Integrated Financial Management Information System
ISO	International Standard Organization
KIHBT	Kenya Institute of Highways and Building Technology
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KISM	Kenya Institute of Supplies Management
NWCPC	National Water Conservation and Pipeline Corporation
OECD	Organisation for Economic Co-operation and Development
PBRMC	Performance Based Road Maintenance Contracting
PEs	Procuring Entities
PPDR	Public Procurement and Disposal Regulations
PPOASPS	Public Procurement Oversight Authority Staff Pension Scheme
PPRA	Public Procurement Regulatory Authority
PPRMPM	Public Procurement Records Management Procedures Manual
PWDs	People with Disabilities
RFQs	Request for Quotations

**MESSAGE
FROM THE
CHAIRMAN
OF PUBLIC
PROCUREMENT
REVIEW BOARD**





***I am pleased
to note that
the Board has
strived to exercise
impartiality
and demonstrate
consistency in its
decisions.....***

Prudent and transparent public procurement is central to ensuring that the socio-economic goals set out in the Vision 2030 and Big Four Agenda are achieved. On the other hand, optimum public procurement systems are fundamental to the effectiveness of the development and recurrent budgets of the country. Strict adherence to procurement rules is not only the moral thing to do, but will also translate into savings from the procurement budget which the national and county governments can employ to support social utility projects.

I must admit that mismanagement of public resources remain a challenge in the country. PPRA is alive to this challenge and with the help of the Government, is reviewing strategies towards reforming the Public Procurement system in Kenya with an aim of ensuring that it is effective in delivering best value for money to the Kenyan people.

The Administrative Review Board since its inception has continued to play a central role in ensuring bidders have an avenue to be heard when procurement disputes arise. In discharging this responsibility, I am pleased to note that the Board has strived to exercise impartiality and demonstrate consistency in its decisions and is applying various strategies in its operations with an aim of enhancing efficiency in handling applications for review and compliance with the Public procurement law.

During the financial year under review cumulatively presided over 128 cases. The cases were heard and determined within an average of twenty (20) days with the common grounds for

appeal being tender evaluation and award by procuring entities.

On behalf of the Authority, I wish to reiterate our commitment to the fight against unethical practices, corruption and mismanagement of resources in the public sector and implore every Kenyan citizen to take personal responsibility in its eradication. The Authority will within its mandate ensure that it is in tandem with emerging issues in procurement, technological changes and embrace best practices.

Meanwhile on behalf of PPRA, I wish to take this opportunity to express my heartfelt appreciation to the Government of Kenya, procuring entities, suppliers and contractors and the public at large for their support in helping the Authority carry out its mandate.



Paul Gicheru

Chairman

Public Procurement Administrative Review Board



DIRECTOR GENERAL'S STATEMENT





PPRA operationalised two (2) regional offices in Mombasa and Kisumu

Background

Procurement as an integral function of the public financial management system has a key role towards achieving the envisaged targets since the Vision 2030 and Big Four Agenda's implementation entails huge procurements of goods, works and services by public entities. Optimum public procurement systems are central to the effectiveness of the development and recurrent budgets of the country.

This annual report details the activities undertaken by the Authority during the 2016/2017 financial year with highlights of its operations, requisite statistical information; and challenges experienced during the review period and recommendations thereof.

Legal Framework

During the financial year, the Authority carried out its activities within the Public Procurement and Asset Disposal Act, 2015 (the Act). The enactment of the Act massively changed the mandate of the Public Procurement Oversight Authority (PPOA) as it largely assumed the regulatory function which then transited to Public Procurement Regulatory Authority (PPRA). The Act established PPRA to among

other functions monitor, assess and review the public procurement and asset disposal system to ensure they respect the National values and other provisions including Article 227 of the constitution on public procurement. The envisioned robust law is aimed at strengthening procurement planning, promote growth of the Kenyan economy through gender mainstreaming and encouraging micro and small enterprises through participation in public procurement opportunities under preference and reservation schemes, ensuring transparency and accountability by streamlining the functions at the National Government, County Governments and all other public procuring entities (PEs) across the board.

PPRA also fully participated in the drafting and finalization of the Public Procurement and Asset Disposal Regulations; being a member of the task force for the development of the Public Procurement and Asset Disposal Regulations.

Monitoring Compliance

During the period in review, PPRA monitored compliance through procurement assessments, reviews, contract audits, complaints management, investigations and review of mandatory reports submitted by Procuring Entities. Section 43 of the Act mandates PPRA to conduct procurement assessments and reviews to ensure that the procurement systems and processes as provided for in the Procurement Law are complied with by the PEs. The key indicators used for assessments and reviews were institutional arrangements and the procurement & disposal processes. The Authority evaluated the level of compliance with the Act by the Procuring Entities against pre-set scoring criteria in the Compliance Monitoring Manual.

A total of 137 PE's submitted their procurement plans. On the other hand, the Authority conducted 106 compliance assessments, 6 reviews and 16 contract audits. PPRA also conducted 2 compliance inspections with the aim of measuring the level of compliance of procuring entities with the Procurement Law. The key indicators used during inspections were establishment of procurement function, management of procurement records, inventory management and security of tenders.

To strengthen monitoring of implementation of the remedial measures on areas of non-compliance identified during procurement assessments and reviews, the Authority intends to conduct follow-ups within one year after the assessment or review.

Complaints Handling

PPRA through its Complaints, Investigations, Enforcement and Debarment department receives complaints from PEs, suppliers, and the general public. During the year under review, the Authority received 667 complaints.

Notably, the Authority developed and operationalized a complaints management and investigation manual. The manual provides a framework for handling of complaints and procedure for undertaking investigations.

Monitoring & Evaluation, Research, Reporting and Advisory Services

PPRA continued to offer Monitoring & Evaluation, Research, Reporting and Advisory services function with an aim of implementing PPRA's mandate in accordance with section 9 (1) of the Act and to ensure that the procurement process is indeed smooth for all the stakeholders. During the year under review, PPRA received a total of 166 written requests for advice. The requests were

analyzed and written advice was provided as appropriate. Also, the Authority received and effectively facilitated 38 requests for technical support and training from procuring entities. Review of the Standard Procurement documents and formats to realign them to the Act and best procurement practices has been ongoing and is expected to be finalized in 2018/2019 financial year.

Preference and Reservation Schemes

Section 157 (12) & (13) of the Act instructs procuring entities at the National and County levels to submit reports to the Authority every six (6) months demonstrating compliance with the legal provisions on implementation of the preferences and reservation scheme. A total of 222 procuring entities reported on the contract awards to the target groups (women, youth and PWDs) under the preference and reservation scheme.

Institutional Capacity

During the year under review, PPRA operationalised two (2) regional offices in Mombasa and Kisumu. The opening of these new offices came at an opportune time when PPRA was transiting to its new dispensation and with an aim to ensure that its stakeholders receive quality services. An additional two (2) regional offices have been identified in Eldoret and Nyeri which will be operationalised in due course.

Appreciation

Reflecting on a successful year 2016/2017 let me commend the National Treasury and Planning as well as the National Government for the great stewardship and commitment to the success and governance of PPRA.

I further appreciate the members of staff of PPRA for their dedication to duty and good performance despite the notable challenge of increased functions under the Act but with inadequate staff; and to the other stakeholders for their unwavering support.

I am confident that we have learnt various lessons through our interaction with all the stakeholders. We owe it upon ourselves to ensure that we use our past experiences and our future aspirations to perfect the public procurement system.



M.J.O Juma, MBS
Director General

ORGANIZATION OVERVIEW

CHAPTER

01



1. Background

1.1 Introduction

The Public Procurement Regulatory Authority (PPRA) *hereinafter referred to as the Authority*) is established under Section 8 (1) of the Public Procurement and Disposal Act, 2015 (the Act) and is *inter alia* charged with monitoring, assessing and reviewing the public procurement and asset disposal system to ensure that they respect the national values and other provisions of the constitution.

1.2 Corporate Governance

The operations of the Authority are guided by the Public Procurement and Asset Disposal Act and other relevant Acts of Parliament and Regulations. The Authority also adopts and continues to be guided by the Mwongozo code of governance in its operations.

1.2.1 Public Procurement Regulatory Board

The Public Procurement Regulatory Board (the Board) is established under Section 10(1) of the Act as amended by Section 55 of the Finance Act, 2017. The Act requires the Board to comprise of nine (9) members and a Director General who shall be the Chief Executive Officer of the Authority and the Secretary to the Board. The functions are outlined in Section 12 (1) of the Act include:

- (a) Ensure the proper and effective performance of the functions of the Authority;
- (b) Approve and ratify the policies of the Authority.
- (c) Oversee the management, control and administration of the assets of the Authority in a manner and for purposes that promotes the object and purpose of the Authority.
- (d) Receive any gifts, grants, donations or endowments made to the Authority.
- (e) Determine the provisions to be made for capital and recurrent expenditure, and for the reserves of the Authority.
- (f) Open bank accounts for the funds of the Authority in accordance with the Public Finance Management Act, 2012.
- (g) Subject to the approval by the Cabinet Secretary, investing any of the Authority funds is not immediately required for the purposes of the Act as it may determine.
- (h) Co-operate with other organizations undertaking functions similar to its own whether within or outside Kenya, as it may considered appropriate and in furtherance of the functions of the Authority.

1.2.2 Public Procurement Administrative Review Board

The Public Administrative Review Board (the Review Board) is established under Section 27 (1) of the Act as by Section 56 of the Finance Act, 2017. It is a central independent procurement appeal

review board that should ensure reasonable access to its services in all parts of the Republic as long as it is appropriate to do so. The functions of the Review Board include, reviewing, hearing and determining disputes arising from procurement and asset disposal activities; and performing any other function conferred to it by the Act, Regulations or any other written law.

1.3 Vision, Mission and Quality Policy Statement

Vision

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

Mission

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

Quality Policy Statement

PPRA is committed to providing quality regulatory services by facilitating and ensuring the implementation of an effective and efficient public procurement and disposal system that exceeds our customers and stakeholders expectations.

The Authority is ISO 9001:2008 certified and shall endeavor to consistently achieve goals through continuously improving existing processes such as; systems and analyzing methodologies in accordance with international standards, and in line with changing needs of customers and stakeholders.

1.4 Core Values

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

1.5 Statutory Functions of the Authority

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

- (a) Monitor, assess and review the public procurement and asset disposal system to ensure that they respect the national values and other provisions of the Constitution, including making recommendations for the improvement of Article 227.
- (b) Monitor the public procurement system and report on the overall functioning of it and



- present it to the Cabinet Secretary and the county executive members of finance in each county;
- (c) Enforce any standards developed under the Act.
 - (d) Monitor classified procurement information, including specific items of security organs and making recommendations to the Cabinet Secretary.
 - (e) Monitor the implementation of the preference and reservation schemes by procuring entities.
 - (f) Prepare and publish standard public procurement asset disposal documents and formats to be used by public entities and other stakeholders.
 - (g) Provide advice and technical support upon request.
 - (h) Investigate and act on complaints received on procurement and asset disposal proceedings from procuring entities such as; tenderers, contractors or the general public that are not subject to administrative review.
 - (i) Research on the public procurement and asset disposal system, and any developments arising from the same;
 - (j) Advise the Cabinet Secretary on the setting of standards including international public procurement and asset disposal standards.
 - (k) Develop and manage the State portal on procurement and asset disposal. By ensuring that it is available and easily accessible;
 - (l) Monitor and evaluate the preference and reservations provided for under the Act, and provide quarterly reports;
 - (m) Create a central repository or database that includes:
 - i. Complaints made on procuring entities.
 - ii. Record of those prohibited from participating in tenders or those debarred;
 - iii. Market prices of goods, services and works.
 - iv. Benchmarked prices.
 - v. State organs and public entities that are non-compliant with procurement laws.
 - vi. Statistics related to public procurement and asset disposal.
 - vii. Price comparisons for goods, services and works.
 - viii. Any information related to procurement that may be necessary to the public
 - (n) Inform, the Cabinet Secretary, Parliament, the relevant County Executive, member of finance, the relevant County Assembly and Auditor- General on issues on non- compliance with procurement laws once the relevant State organ or public entity ignores the written directives of the Authority, including material breaches of the measures established under the Act.
 - (o) Generally report to Parliament and the relevant county assembly.
 - (p) Develop a code of ethics to guide procuring entities and winning bidders when undertaking public procurement and disposal within State organs and public entities.

- (q) In undertaking its functions, co-operate with state and non-state actors with a view to obtaining recommendations on how public procurement and disposal can be improved.
- (r) Ensure the procurement entities implement the preference, reservations and provide data to the Authority disaggregated to indicate the number of disadvantaged groups that have benefitted;
- (s) Perform other functions and duties as provided under the Act, and any other relevant law.

1.6 Organizational Structure

The Authority is headed by the Director General and has two directorates namely; Directorate of Technical Services and Directorate of Finance. The Administration is each headed by a General Manager. The 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.

The Technical Services Directorate comprises of Compliance, Monitoring and Evaluation Research, Reporting and Advisory Services, Complaints, Investigations, Enforcement and Debarment and the Administrative Review Board Secretariat; whereas Finance and Administration Directorate comprises of Finance, Human Resource Management and Administration.



PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW BOARD



Mr. Paul Gicheru
Chairperson

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

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



Mr. Nelson K. Orgut
Member

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

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



Mr. Peter B. Ondieki,
MBS
Member

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



Mr. Paul Ngotho
Member

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

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



Eng. Weche R. Okubo,
OGW
Member

Eng. Weche Okubo was a career civil servant with 35 years experience in public service. He started working at the level of Asst. Engineer and retired as Chief Electrical and Mechanical Engineer (Building Services). Eng Okubo is a council member of the Institute of Engineers of Kenya (IEK). He is also a Board member of the Bible Society of Kenya. He holds Bsc (Mechanical Engineering); Post Grad Dip (Environmental Engineering); FIEK; R.Cons.Eng; PE,CEng and MCIBSE.



Mrs. Josphine W.
Mong'are
Member

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



Mr. Hussein Were
Member

Hussein Were has over 26 years' experience in quantity surveying and project management. He also has 8 years experience in the field of governance and forensic investigation. Mr. Were is the Honorary Treasurer and member of Governing Council of the Architectural Association of Kenya; as well as Principal Partner and founder of Fanisi Consultants, a quantity surveying and project management firm. He holds an MA (Building Management) and a BA (Building Economics) from the University of Nairobi.



Mrs. Gilda A. Odera
Member

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

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

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



Mrs. Rosemary K. Gituma
Member

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

Previously she worked with Numerical Machining Complex (Finance & Administration Manager), Nairobi Bottlers (Treasury & Operations Accountant), Care Kenya (Accountant Consultant) and Kenya Airways (Management Trainee/ Budget Accountant). She has served as Council Member & Vice- Chair, ICPAK. She is a member of Institute of Directors (Kenya), ISACA and AWAK.

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

MANAGEMENT TEAM



Mr. J O. Juma, MBS

Director General
MSc (Proc. & Logistics) -UK,
MBA BCom, MCIPS, MKISM,
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

Manager,
Internal Audit
MBA, MA, BA,
CPA (K), CPS
(K), CISA



Peter K. Ndung'u

Manager, Policy & Research
MA (Econ), BA (Econ)
Dip (Purchasing & Supplies)-UK



Henock Kirungu

Manager, ARB Secretariat
MBA, BCom, Dip (Purchasing &
Supplies-final), PGD (Computer Science)



Lucy J. Barno

Manager, Corporate Services
LLM (Ongoing), LLB, Dip (Law),
CPS (K), Advocate of the High Court



James K. Kihara

Manager, HR & Admin
MBA,BA(Hons), Dip (Leadership Dev),
MIHRM, MCIPS, MKISM



Thomas O. Otieno

Manager, Capacity Building
MSc (Proc. & Logistics), BA,
Dip. (Purchasing &Supply Mgt)



Pauline O. Opiyo

Manager, Compliance
MSc (Proc. & Logistics), BA,
CIPS GDip (Purchasing & Supply Mgt)



Jerome Ochieng

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



Chris Sakwa

Manager, Finance
MBA, BBM, CPA (K)

CORPORATE GOVERNANCE STATEMENT

Conflict of Interest, Code of Conduct and Ethics

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

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

excluded from any discussion or decision over the matter in question. All Board members and staff of the Authority declared their wealth as required to the Public Service Commission.

Top Ten Contracts FY 2016/2017

The Authority's procurement budget for the year under review was KSh. 60,203,300.

The top ten procurement contracts awarded during the year are:

	FIRM	GOODS / SERVICES DESCRIPTION	Amount KShs.
1.	Spa Infosuv	Consultancy for Country Procurement Assessment Service	16,285,000
2.	Britam Insurance Co	Provision of Medical Cover	11,576,934
3.	Techsource Point	Supply of Virtualized server infrastructure & Data Backup Solution	8,236,000
4.	Hill & Knowlton Strategies	Provision of Public Relations Consultancy Services	6,670,000
5.	Uniglobe Northline Travel	Provision of Air Travel Ticketing Services	4,000,000
6.	Jubilee Insurance Co	Provision of General Insurance	2,166,789
7.	Soft Technologies	Provision of Cloud e-board	1,832,800
8.	Super Broom	Provision of Cleaning Services	1,722,673
9.	ICEA Insurance Co	Provision of Motor Vehicle Insurance	1,613,761
10.	UAP Insurance Co	Provision of Group Life Cover	1,354,959

Legal Challenges

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

Corporate Citizenship

PPRA recognizes the importance of its duty to be a responsible corporate citizen. Its Corporate Social Responsibility embodies the commitment to conduct itself ethically, contributing to the well-being of communities.

In line with the Public Procurement and Asset Disposal Act, 2015 requirement on preference and reservations, PPRA has continued to empower the Youth, Women and Persons with disabilities to better leverage available procurement opportunities.

DESCRIPTION OF **THE ACTIVITIES OF THE AUTHORITY**

CHAPTER

02



2.1 Introduction

This section presents the achievements made by the Authority in carrying out its mandate under Section 9 of the Public Procurement and Asset Disposal Act, 2015. The functions of the Authority are implemented by Compliance, Complaints, Investigations, Enforcement and Debarment, Monitoring and Evaluation, Research, Reporting and Advisory Services; Legal and Corporate Affairs; Internal Audit, ICT, Finance, Human Resource and Administration Departments.

2.2 Compliance Monitoring

Section 9(1) (a) of the Act mandates the Authority to monitor, assess and reviews the public procurement and asset disposal system to ensure respect for the national values and other provisions of the Constitution, including Article 227 and make recommendations for improvements.

To achieve this, the Authority monitors compliance through procurement assessments, procurement reviews, contract audits, inspections, review of mandatory reports submitted by procuring entities (PEs) and tender notices. During the 2016/2017 financial year, the Authority undertook the following activities:

2.2.1 Review of Annual Procurement Plans

The PEs are required to prepare the annual procurement plan and submit to the Authority the part of the procurement plan demonstrating application of preference and reservation scheme in accordance with Section 158 (2) of the Act and PPRA Circular No. 1/2016 of 16th December, 2016.

The Authority reviews the procurement plans to find out whether the plans were prepared in accordance with the provisions of the Procurement law and directives of the Authority. The table below presents the category of PEs that submitted the plans to the Authority.

Table 2.2.1: Number of PEs that Submitted Annual Procurement Plans

<i>Review of Annual Procurement Plans Submitted by PE's for the 2016 - 2017 FY</i>		
S/No	National Government Entities	Number of PEs
1.	State Corporations	89
2.	Technical Training Institutions	17
3.	Universities /Colleges/Polytechnics/Institutes	23
4.	Ministries	6
5.	Constitutional Commissions and Independent Offices	1
6.	National Government Constituency Development Committees	0
7.	County Service Delivery Unit	0
8.	Schools	0
9.	Pension Funds	0
10.	Diplomatic Missions	0

County Government Entities		
S/No	County Government Entities	Number of PEs
11.	County Executives	1
12.	County Assemblies	0
13.	County Government Owned Entities	0
	Total	137

From the table above, 137 PEs submitted their 2016/2017 annual procurement plans. The Authority reviewed the plans and made the following observations:

- (i) Out the 137 PEs that submitted their plans 95 expressly indicated in their procurement plans the tenders reserved for the Youth, Women and persons living with disabilities (PWDs).
- (ii) Out of the 95 PEs 66 reserved at least 30% of their procurement budget to the target groups.
- (iii) Out the 137 PEs that submitted their plans, 29 reserved less than the minimum 30 % of their procurement budget for the Youth, women and PWDs.
- (iv) 42 PEs that submitted their plans did not clearly indicate the tenders reserved for the Youth, Women and PWDs, contrary to the provisions of the Act.
- (v) Most of the PEs did not submit the procurement plans in the prescribed format.
- (vi) Many PEs submitted their procurement plans after the prescribed timelines.
- (vii) Majority of the entities that submitted the procurement plans were from National Government and only one from the County Governments.
- (viii) Except for the 137 PEs, all other public entities did not submit the plans to the Authority.

2.2.2 Review of Mandatory Reports

The procuring entities are required to submit the following mandatory reports: all contracts awards; terminations of procurement proceedings, direct procurement above KES 500,000, disposal to employees; and contract awards under the preference and reservation schemes. The Authority reviews the submitted reports to assess compliance with the provisions of the Procurement law and other directives issued by the Authority.

The key findings from review of mandatory reports included:

- i. Submission of reports with incomplete information and the relevant attachments. This was common with reports on direct procurements and termination of procurement proceedings.
- ii. The justifications for a number of direct procurements and terminations of procurement proceedings did not meet the conditions set out in the Act.

- iii. Failure by majority of the PEs to submit mandatory reports to the Authority.
- iv. Submission of mandatory reports by the PEs after the stipulated timelines.
- v. Failure by the PEs to submit reports in the prescribed format.

The Authority has put in place the following mechanisms to enhance compliance with reporting requirements:

- i. Issuing of certificates to the PEs that submitted reports.
- ii. Continued provision of technical support to the PEs on the preparation of the mandatory reports.
- iii. Giving feedback to the PEs on areas of non-compliance with the reporting formats and timelines.

2.2.3 Procurement Assessments

Section 43 of the Act mandates the Authority to conduct procurement assessments and reviews to ensure that the procurement systems and processes as stated in the Procurement Law are complied with by the PEs. A procurement assessment is the process of review and evaluation of the procurement system in order to determine the strengths and weaknesses, so that the necessary recommendations can be made for the improvement of the system. Unlike the procurement reviews, the assessments are mainly spots checks which are undertaken within a shorter period of not more than three (3) days.

The key indicators used for the assessments and reviews were institutional arrangements, the procurement and disposal processes. The Authority evaluated the level of compliance with the Act by the PEs against pre-set scoring criteria in the Compliance Monitoring Manual. The interpretation of compliance level and risk rating is as follows:

Table 2.2.2: Level of Compliance and Risk Rating

S/No	Compliance Rating	Compliance level	Risk Rating	Risk Level
1.	Below 50%	Non-compliant	70-100%	High
2.	51-80%	Average compliant	30-70%	Moderate
3.	81-99%	Above Average compliant	Below 30%	low
4.	100%	Fully Compliant	0%	No Risk

The higher the compliance rating, the lower the risk score and vice versa. When the compliance level is low, the procurement performance by the PEs is low and the risk for getting value for money spent in procurement is high.

During the 2016-2017 financial year, the Authority conducted 106 compliance assessments. The compliance and risk scores for each of the PEs assessed are presented in the tables below.

Table 2.2.3: Compliance Assessments Rating and Risk Scores for National Government PEs

S/No	PROCURING ENTITY	RATING	
		Compliance Score (%)	Risks Score (%)
1.	Maseno University	42	58
2.	Jaramogi Oginga University of Science & Technology	76	24
3.	Public Procurement Regulatory Authority	70	30
4.	Kenyatta University	54.86	45.14
5.	Jomo Kenyatta University of Science & Technology	43.93	56.07
6.	Unclaimed Financial Assets Authority	74.35	25.65
7.	Higher Education Loans Board	78	22
8.	Brand Kenya	56.60	43.40
9.	Kisii University	59.84	40.16
10.	Dedan Kimathi University	74.43	25.57
11.	Pwani University	51.32	48.68
12.	Kenya Institute of Mass Communication	63.61	36.39
13.	Cooperative University of Kenya	55	45
14.	Maasai Technical Training Institute	28	72
15.	Maasai Mara University	38	62
Average Score for all Procuring Entities		57.7%	42.3%

Table 2.2.4: Compliance Assessments Rating and Risk Scores for the County Executives

S/No	PROCURING ENTITY	RATING	
		Compliance Score (%)	Risks Score (%)
1.	Kirinyaga County Government	57.9	42.1
2.	Uasin Gishu County Government	58	42
3.	Embu County Government	39.82	60.18
4.	Meru County Government	36.6	63.4
5.	Tharaka Nithi County Government	56	44
6.	Nandi County Government	37	63
7.	Lamu County Government	29.96	70.04
8.	Tana River County Government	44	56
9.	Garissa County Government	59	41
10.	Homa Bay County Government	3.26	96.74
11.	Laikipia County Government	36.93	63.07
12.	Isiolo County Government	24.3	75.7
13.	Marsabit County Government	76.95	23.05
14.	Taita Taveta County Government	53	47
15.	Trans-Nzoia County Government	61.98	38.02
16.	West Pokot County Government	61	39
17.	Turkana County Government	58.3	41.7
18.	Bomet County Government	35	65
19.	Samburu County Government	53.7	46.3
20.	Kilifi County Government	62.3	37.7
21.	Kajiado County Government	52	48
22.	Wajir County Government	59.1	40.9
23.	Machakos County Government	34.5	65.5
24.	Kitui County Government	13.8	86.2
25.	County Government of Nakuru	51.5	44.5
26.	Kericho County Government	53	47
27.	Baringo County Government	52.5	47.5
28.	Elgeyo Marakwet County Government	55	45
29.	Siaya County Government	47	53
30.	Busia County Government	33.1	66.9
31.	Mombasa County Government	42	58

S/No	PROCURING ENTITY	RATING	
		Compliance Score (%)	Risks Score (%)
32.	Nairobi County Government	44.4	55.6
33.	Kiambu County Government	30	70
34.	Mandera County Government	65.2	34.8
35.	Vihiga County Government	44.3	55.7
36.	Makueni County Government	51.6	48.4
37.	Kisumu County Government	61	39
38.	Muranga County Government	59	41
39.	Nyandarua County Government	64.4	35.6
40.	Kisii County Government	64.4	35.6
41.	Kakamega County Government	53	47
42.	Migori County Government	57	43
43.	Bungoma County Government	74.2	25.8
44.	Kisumu County Government	61	39
Average Score for all the Procuring Entities		49.3%	50.7%

Table 2.2.5: Compliance Assessments Rating and Risk Scores for the County Assemblies

S/No	PROCURING ENTITY	RATING	
		Compliance Score (%)	Risks Score (%)
1.	Kirinyaga County Assembly	37.35	62.65
2.	Nyeri County Assembly	37	63
3.	Uasin Gishu County Assembly	54.2	45.8
4.	Embu County Assembly	44.18	55.82
5.	Meru County Assembly	46.87	53.13
6.	Tharaka Nithi County Assembly	48	52
7.	Nandi County Assembly	46.6	53.44
8.	Lamu County Assembly	37.7	62.3
9.	Tana River County Assembly	69	31
10.	Garissa County Assembly	61	39
11.	Homa Bay County Assembly	60.87	39.13
12.	Laikipia County Assembly	11	89
13.	Isiolo County Assembly	28.9	71.1

S/No	PROCURING ENTITY	RATING	
		Compliance Score (%)	Risks Score (%)
14.	Marsabit County Assembly	59.51	40.49
15.	Taita Taveta County Assembly	40	60
16.	Trans-Nzoia County Assembly	39.29	60.72
17.	West Pokot County Assembly	69	31
18.	Turkana County Assembly	44.8	55.2
19.	Bomet County Assembly	58	42
20.	Samburu County Assembly	41	59
21.	Kilifi County Assembly	70	30
22.	Wajir County Assembly	62.9	37.1
23.	Machakos County Assembly	69	31
24.	Kitui County Assembly	56	44
25.	Narok County Assembly	11	89
26.	County Assembly of Nakuru	73.33	26.7
27.	Kericho County Assembly	82	18
28.	Nyamira County Assembly	57.3	42.7
29.	Baringo County Assembly	42.3	57.7
30.	Elgeyo Marakwet County Assembly	66	34
31.	Kwale County Assembly	63	37
32.	Mombasa County Assembly	33.3	66.7
33.	Siaya County Assembly	73	27
34.	Busia County Assembly	50.1	49.9
35.	Nairobi County Assembly	30.6	69.4
36.	Kiambu County Assembly	44	56
37.	Mandera County Assembly	60.16	39.84
38.	Vihiga County Assembly	66	34
39.	Makueni County Assembly	62.91	37.09
40.	Nyandarua County Assembly	49	51
41.	Kisii County Assembly	56.29	43.71
42.	Kakamega County Assembly	64.45	35.55
43.	Migori County Assembly	50.1	49.9
44.	Bungoma County Assembly	56.84	43.16

S/No	PROCURING ENTITY	RATING	
		Compliance Score (%)	Risks Score (%)
45.	Kajiado County Assembly	47.86	52.14
46.	Murang'a County Assembly	59.4	45.6
47.	Kisumu County Assembly	40.9	59.1
Average Score for all the Procuring Entities		52.2%	47.8%

From the above information, the overall compliance rating of the National Government PEs that were assessed was 59.1% with a risk level of 40.9% while the overall compliance score of the County Assemblies was 52.2% and a risk rating of 47.8%. The County Executive PEs had the least overall compliance rating of 49.3% and a risk score of 50.7%. A low compliance rating demonstrates high risk rating which calls for urgent management action. The average compliance rating of the PEs assessed during the year was 51.7% and a risk level of 48.3%. This was below the minimum compliance score of 60%.

2.2.4 Procurement Reviews

A procurement review is a detailed/comprehensive audit of the procurement and disposal activities of a procuring entity, for a specified period of time to ascertain their compliance with the procurement law.

During the year the Authority conducted 6 compliance reviews. The compliance scores and risks scores for the PEs that were reviewed are as tabulated below:

Table 2.2.6: Compliance Reviews Rating and Risk Scores

S/No	PROCURING ENTITY	RATING	
		Compliance Score (%)	Risks Score (%)
1.	Nyeri County Government	72	28
2.	Kwale County Government	52.1	47.9
3.	Nyamira County Government	62.65	37.35
4.	Narok County Government	53.9	46.1
5.	Kenyatta National Hospital	57	43
6.	Kenya National Bureau of Statistics	54.2	45.8
Average Score for all PEs		58.6	41.2

From the above table, it is apparent that the average compliance rating of the PEs reviewed during the year is 58.6% and a risk level of 41.2%.

Table 2.2.7: Findings from Procurement Assessments and Reviews

Indicator	Key Findings	Recommendations
Procurement Function	i. All the PEs had established Procurement Functions but in some instances the function did not report directly to the Accounting Officer. ii. Some of the officers deployed to the procurement function did not have professional qualifications in procurement. iii. Approved establishment were not availed by most of the PEs assessed.	Procurement function should be Staffed in accordance with Sections 2 and 47 of the Act. The Procurement function should report directly to the Accounting Officer pursuant to Section 2 of the Act.
Procurement Plan	i. The PEs had procurement plans for the 2015/2016 FY. Some of the Plans were not submitted to the Authority. ii. The Plans were not prepared in the right format and procurements allocated to target group were less than the prescribed minimum of 30% of the procurement budget.	Prepare procurement plan in the appropriate format pursuant to Section 53(2) of the Act and submit it to the Authority by 31st of August of each year. At least 30% of the procurement budget should be allocated to the target group.
Procurement and Asset Disposal Manual	Majority of the PEs did not have procurement and asset disposal manuals.	PEs should develop Procurement and Asset Disposal Manual to provide a documented system and structured ways of making procurement decisions.
Disposal Committee	i. Most of the PEs assessed had established disposal committees but the committees were not active. ii. PEs did not have disposal plans and had accumulated many assets due for disposal.	The Disposal Committee should perform its functions in accordance with Sections 164 and 165 of the Act. PEs should prepare asset disposal in line with section 53 of the Act

Indicator	Key Findings	Recommendations
Record Keeping	i. Weak record management systems in all PEs as evidenced by incomplete procurement files and poor filing systems. ii. Procurement files were maintained but were incomplete as some of the procurement records were not in the procurement files. iii. No specific individuals were assigned responsibility of maintaining procurement files. iv. Tender and quotation register in some instances were not properly maintained.	Enhance record management systems and maintain complete procurement files. Maintain procurement records in accordance with Section 68 of the Act and Regulation 34(3) of the Public Procurement and Disposal Regulations, 2006 (PPDR). Adhere to record keeping systems provided by the Public Procurement Records Management Procedures Manual (PPRMPM).
Reporting	i. Failure by some PEs to submit the reports to the Authority or submitting reports after the reporting timelines. ii. Some of the reports were not prepared using the format provided by the Authority.	Prepare report in the format provided by the Authority vide PPRA Circular No.1/2016 of 16th December, 2016 and submit them within the prescribed timelines.
Inventory Management	i. Most PEs had secure storage facilities and used relevant store records. ii. The inventory and store management systems were weak as demonstrated by the variance between physical and ledger balances due to un-updated records. iii. Storage facilities were inadequate as the PEs used the store for keeping of bid documents submitted by the bidders. iv. Comprehensive stock takings were not undertaken periodically. v. Comprehensive asset registers were not maintained.	Comply with all the requirements on stores and inventory, control & management as provided under Part XIII of the Act. Accounting Officers should provide adequate and secure storage facilities. Conduct regular stock takings. Prepare and maintain comprehensive asset registers.

Indicator	Key Findings	Recommendations
Procurement Process	i. Procurements initiated through purchase requisitions with incomplete information and estimated costs. ii. Invitations to tenders/tender notices did not require bidders to serialize their documents pursuant to section 74 (1) (i) of the Act. iii. Tender documents with inadequate information/ specifications and evaluation criteria. No criteria for RFQs. iv. Failure to adhere to the evaluation criteria set in the tender documents and individual scores sheets were not maintained. v. Failure to adhere to some of the tender opening procedures like recording of number of pages for each bid received and initializing each page of the tender opening minutes. vi. Use of alternative procurement methods, without adhering to the prescribed requirements. vii. Failure to simultaneously notify both the successful and the unsuccessful bidders. viii. Failure to notify unsuccessful bidders/ notifying unsuccessful bidders without specifying reasons for rejection of their tenders ix. Signing of contracts without observing appeal window period. x. Documents deemed to form part of contract were not attached to the contracts. xi. Unfair selection of suppliers/contractors from the list of prequalified suppliers and contractors. xii. Contracts were signed prior to submission of performance bond by successful tenderers xiii. Tender securities not released to bidders after the conclusion of procurement proceedings. xiv. Professional opinions with inadequate secretariat comments. xv. Inadequate capacity amongst the persons involved in procurements and inventory management.	Adhere to all the requirements of the Act and its attendant Regulations in the procurement and disposal processes.

2.2.5 Review of Tender Notices

The Authority reviewed tender invitation notices placed in the newspapers by the PEs to verify whether the notices met the prescribed requirements. Where irregularities were identified, the PEs were informed and directed to rectify the irregularities by issuing of additional information and giving feedback to the Authority.

During the year under review, the Authority identified 42 tender notices which had not met some of the requirements for tender invitations. The non-compliance issues identified were brought to the attention of the affected PEs for corrective actions. The common areas of non-compliance were:

- i. Inclusion of statements that the PEs had the right to accept or reject a tender without giving reasons.
- ii. Stating the necessary requirements for tender securities of 2% of the tender sum contrary to Section 61(2)(a) and (b) of the Act.
- iii. Charging a fee of KES. 1,000.00 for EOI and prequalification documents contrary to Regulation 11(3) of the Public Procurement and Disposal (Amendment) Regulations, 2013.

2.2.6 Follow-ups on Action Plans

During the year, the Authority conducted follow-ups in 4 PEs namely Siaya County Assembly, Kisumu County Assembly, Kenya Roads Board and National Transport & Safety Authority on the assessments that were conducted in the 2013/2014 financial year. The follow-ups were intended to ascertain the implementation status of the recommendations made during the previous assessments. The findings were prepared in form of an action plan highlighting the implementation status of the action plans. The PEs had largely implemented the recommendations of previous assessments.

To strengthen monitoring of implementation of the remedial measures on areas of non-compliance identified during procurement assessments and reviews, the Authority intends to conduct follow-ups within one year after the assessment or review. The Authority will sustain provision of technical support to the entities assessed immediately after assessment in order to enable them to come up with appropriate programs that will address the weaknesses identified.

2.2.7 Procurement Inspections

The Authority is mandated to conduct procurement inspection in order to measure the level of compliance of a procuring entity with the Procurement Law. The key indicators used during inspections were an establishment of procurement functions, management of procurement records, inventory management and security of tenders. During the financial year, the Authority



conducted two compliance inspections in two National Government Institutions namely Maranda High school and Kisumu Girls High School.

Table 2.2.8: Summary of common findings and Recommendations on Inspections

No	Indicator	Findings	Recommendations
1.	Institutional Arrangements	No approved establishment for Procurement Function.	Establish a Procurement Function in accordance with Section 2 of the Act.
		Procurement Function not established and thus procurement roles undertaken by Accounts Department	Establish the procurement function and staff it with procurement professionals.
		Procurement plans were not prepared	Prepare Annual Procurement Plan as per Section 53(6) and 157(5) of the Act.
2.	Management of Procurement Records	Procurement files were incomplete	Maintain complete procurement files
		Tender and quotation registers were not maintained	Develop and make use of tender and quotation registers
		Quotation box was not in place	Provide a quotation box
		Mandatory reports were not submitted to Authority	Submit reports to the Authority as prescribed
3.	Inventory Management	Regular stock taking were not done	Undertake regular stock taking in accordance with the Procurement Law.

2.2.8 Contract Audits

During the 2016-2017 financial year, the Authority conducted 16 specific contract audits in 3 PEs. Some of the key findings were:

- (i) Commencing procurement process without using purchase requisitions.
- (ii) The tender committee disregarded the recommendations of the evaluation committee for the contracts processed under the Public Procurement and Disposal Act, 2005 (the repealed Act).
- (iii) Failure to provide adequate specifications for the procurements that were undertaken
- (iv) Failure to apply evaluation criteria uniformly.

- (v) Setting of non-objective criteria in the tender documents.
- (vi) Tender committee meetings held without the required quorum
- (vii) Failure to notify successful and unsuccessful bidders at the same time.
- (viii) Failure to adhere to tender opening procedures

2.3 Complaints, Investigations, Enforcement and Debarment

The Authority is mandated under Sections 9 (1) (c) & (h), 35 and 41 of the Act to enforce standards developed under the Ac which entails act on complaints received on procurement and asset disposal proceedings, to undertake investigations and debar a person from participating in procurement and asset disposal proceedings.

2.3.1 Complaints Management

The Authority through its Complaints, Investigations, Enforcement and Debarment department receives complaints from PEs, suppliers, and the general public. The Authority seeks information from the PE involved in Section 34 or initiates an investigation as provided for in Section 35 of the Act. On completion of analysis of the responses and documents from the PEs, both the complainant and the PE are advised accordingly on the outcome of the investigation.

2.3.2 Complaints Handled

During the 2016/2017 FY the Authority received 667 complaints. A summary of the complaints received by the Authority during the financial year against the various categories of PEs are presented in the table below.

Table 2.3.1: Number of Complaints Handled

Category of PEs	Number of Complaints Received				
	Q1	Q2	Q3	Q4	Total
Ministries	7	19	19	7	52
County Government	17	40	26	17	100
County Assembly	5	7	6	8	26
State Corporations	62	190	114	47	413
Universities & Colleges	7	17	9	8	41
Technical Institutions & Schools	4	11	14	6	35
Total	102	284	188	93	667

Out of the 667 complaints received during the 2016/2017 FY, 73% of the complaints were resolved while 27% were pending by the close of the financial year as presented in the table below. The unresolved complaints were due to delays by the public entities in providing information and documents required in the finalizing of the complaints.

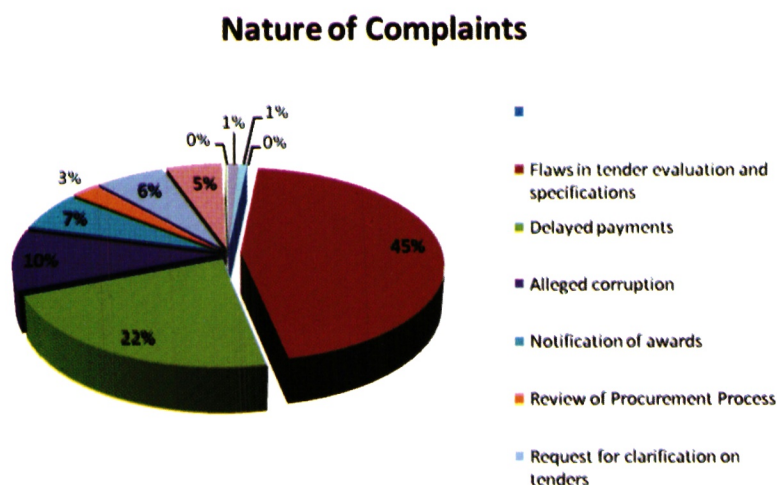
Table 2.3.2: Number of Complaints Resolved Against Categories of Procuring Entities

Category of PE	Complaints Received	Number of Complaints Resolved	Number of Complaints Pending Resolution
Ministries	52	27	25
County Government	100	56	44
County Assembly	26	16	10
State Corporations	413	337	76
Universities & Colleges	41	24	17
Technical Institutions & Schools	35	26	9
Total	667	486	181
Percentage (%)	100	73	27

2.3.3 Nature of Complaints

From the 667 complaints received 45% of the complaints were on flaws in tender evaluation and specifications, 22% on delayed payments, 10% on alleged corruption during procurement proceedings, 7% on notification of awards, 6% on request for clarification on tenders, 5% on errors in tender notices, 2% on review of procurement processes, and 1% each on request for debarment, alleged breach of contract and termination of procurement proceedings. The figure below shows a summary of the nature of complaints received by the Authority during the 2016/2017 FY.



Figure 2.3.1: Nature of Complaints Handled**2.3.4 Investigations Undertaken**

Sections 9 (1) (h) and 35 of the Act, the Authority institutes investigations when necessary in addressing complaints received. During the 2016/2017 FY, the Authority conducted eight investigations in the following PEs.

Table 2.3.3: Findings from the Investigations

No	PE	Complainant	Nature of Complaint	Status
1.	Busia County Executive	Busia County Assembly Public Accounts & Investment Committee	Alleged irregular procurement procedure for engaging contractors for the construction of ECD classrooms.	From a sample of 10 ECD classrooms investigated, 2 were found not constructed according to the specifications. The procurement was processed as per the law except for a few challenges in evaluation of tenders and documentation PE advised the preparation of bid documents/record keeping, inspection and acceptance/contract management.

No	PE	Complainant	Nature of Complaint	Status
2.	Kibabii University	Mungos Company Limited	The bidder alleged to have been unfairly disqualified in the award of tender for provision of cleaning services. Tender no: KIBU/50/2016-2018	The complainant was fairly disqualified as they didn't provide a valid business permit and also did not specify the time frame for the fees charged whether monthly or yearly. The complainant was informed of the outcome of the investigation.
3.	Egerton University	UASU-Egerton Chapter	Request for investigation on the irregular processing of several tenders at Egerton University.	PE did not maintain proper documentation/records management. A number of anomalies were identified in the procurement documents for the subject tenders and were shared with the University. Awaiting for response from the PE.
4.	Ministry of Transport & Infrastructure	Taurus Supplies	Non-payment for supply of 15 Desktop Computers.	The computers were delivered and received by the Inspection and Acceptance committee but not paid for. PE advised to pay.
5.	Nandi County Executive	Institute of Surveyors of Kenya	Irregular award of Tender for Valuation Roll for Kapsabet, Nandi Hills, Leaseholds & Government Owned Properties to a bidder who did not participate in the tender.	The alleged non-participating bidder was found to have participated in the tender and submitted their bid. Findings shared with the PE

No	PE	Complainant	Nature of Complaint	Status
6.	National Water Conservation and Pipeline Authority	Anonymous	Alleged irregular award of Tender No. NWCP/RT/012/2016-2017 for Drilling of Kisumu Kanyakwar Borehole and Equipping and Installation Pressed Steel Tank to M/s Sarman Engineering Co. Ltd by the National Water Conservation and Pipeline Corporation.	National Housing Corporation contracted National Water Conservation Pipeline Corporation (NWCP) to drill borehole, aequip and install pressed steel tank at Kisumu Kanyakwar. NWCP contracted M/s Sarman Engineering Co. Ltd to perform the contract. There were anomalies during evaluation stage. No payment had been made to the contractor. Report is under preparation.
7.	Isiolo County Government	The Senate	Leasing of Buffalo Springs and Shaba Game Reserves by the Isiolo County Executive.	The tender was neither opened, evaluated, awarded nor terminated The PE was requested to give explanation for the anomalies Awaiting for response from the PE
8.	Vihiga County Government	Supply Chain Department	Alleged disregard of professional advice to terminate Tender No. VCG/AGRIC/TND.001/2016-2017: Procurement of Fertilizer and Maize Seed by Department of Agriculture.	Some errors were committed during the processing of the tender. The PE cancelled the contract Awaiting for response from the PE.

2.3.5 Complaints Management and Investigations Manual

During the 2016/2017 FY, the Authority developed and operationalized a complaints management and investigation manual. The manual provides a framework for handling of complaints and procedure for undertaking investigations.

2.3.6 Debarment

Section 41 of the Act mandates the Authority to debar suppliers/contractors from participating in procurement and asset disposal proceedings on various grounds. During the 2016/2017 FY the Authority received two (2) requests for debarment. The Authority has instituted enquiries on the two requests.

2.4 Monitoring and Evaluation, Research, Reporting and Advisory Services

The Monitoring Evaluation, Research, Reporting and Advisory services function is to implement the Authority's mandate in accordance with section 9 (1) of the Act. The activities undertaken under this function include advisory services, a technical support, monitoring and evaluation of the procurement system.

2.4.1 Advisory Services and Technical Support

Pursuant to Section 9 (1) (g) of the Act, the Authority is mandated to advise and provide technical assistance to the procuring entities and other stakeholders upon request. During the year under review (2016/2017), the Authority received a total of 166 written requests for advice. The requests were analyzed and written advice issued appropriately on the matter. Table 2.4.1 presents the number of advices issued as per categories of procuring entities.

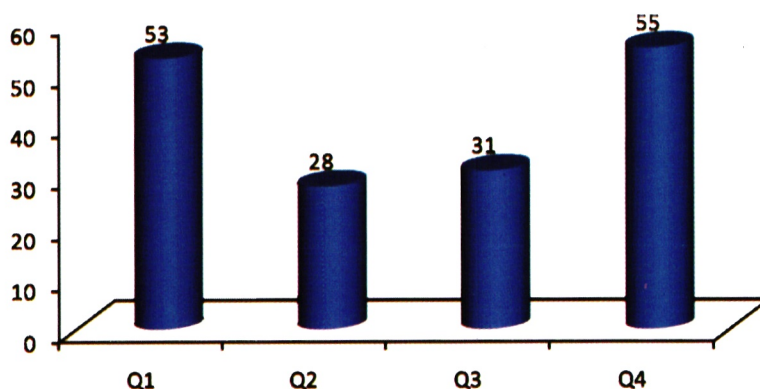
Table: 2.4.1: Number of Advice Issued as per Category of Entities

Category of Procuring Entities	Q1	Q2	Q3	Q4	Total
State Corporations	9	10	10	18	47
Commissions and Independent Offices	8	7	5	6	26
Ministries	4	5	4	0	13
Pension Funds	1	0	2	0	3
Universities/Colleges	7	2	3	9	21
County Service Delivery Coordinating Units	1	0	1	0	2
County Executives	8	3	2	5	18
County Assemblies	3	1	0	8	12
Other Stakeholders (suppliers and general public)	12	0	3	9	24
Total	53	28	30	55	166

Further review of the advices issued during the reporting period of the fourth quarter recorded the highest number of requests at 55, while second quarter recorded the lowest number at 28. The figure below presents the results.

Figure 2.4.1: Distribution of Advices Issued by Quarters

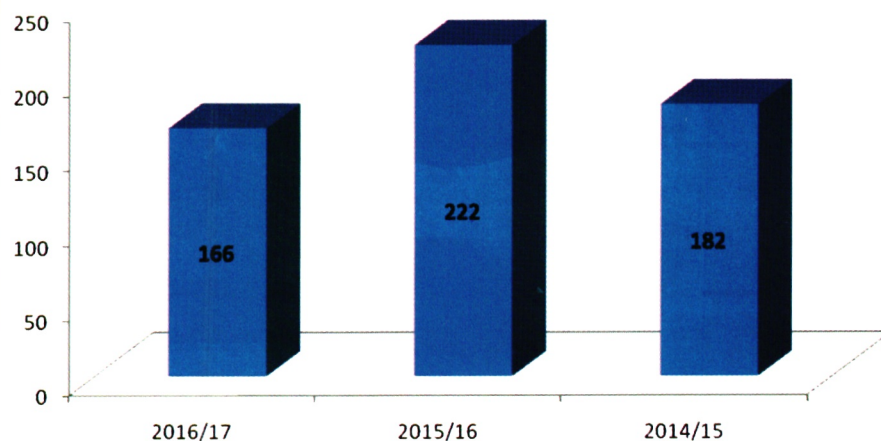
Number of request for advice by category of Entities.



In comparison with the previous FYs, fewer requests for advice were issued during the current FY at 166 compared with 222 and 182 issued in the 2015/16 and 2014/15 respectively. In addition, over the three year period State Corporations were issued with the highest number of advices at 177 followed by 129 from other stakeholders. Table 2.2.2 and figure 2.4.2 below represent the details.

Table 2.4.2: Comparison of Number of Advices Issued with other FYs

Category of PEs	2016/17	2015/16	2014/15	TOTAL
State Corporations	47	72	58	177
Commissions and Independent Offices	26	18	12	56
Ministries	13	14	17	44
Pension Funds	3	0	0	3
Universities/Colleges	21	36	20	77
County Service Delivery Coordinating Units	2	0	0	2
County Executives	18	19	20	57
County Assembly	12	6	7	25
Other Stakeholders (Suppliers and General Public)	24	57	48	129
Total	166	222	182	570

Figure 2.4.2: Number of Advices Issued over the FYs**Number of Advice Issued over the FYs****2.4.2 Duration of Processing of Requests for Advice**

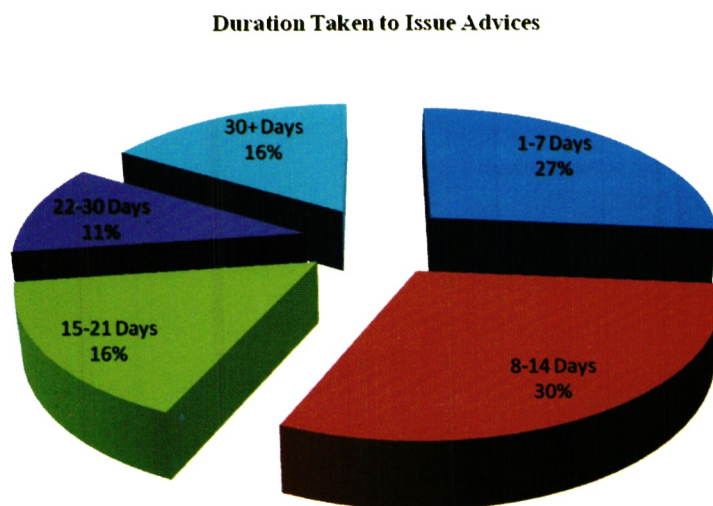
The table below represents the summary of duration taken by the Authority to issue written advices to different entities that made such requests. Majority of the requests were handled between 8-14 days at 30%, followed by between 1-7 days at 27% and between 15 - 21 days at 16% amongst others. On the other hand, a further 16% of the requests for advice were issued after 30 days due to delays by the procuring entities and other stakeholders to submit the relevant information in order for the Authority to issue informed advice.

Table 2.4.3: Duration for Processing Requests for Advice

Duration in Days	Frequency	Percentage (%)
1-7	44	27
8-14	50	30
15-21	27	16
22-30	18	11
30+	27	16
Total	166	100

The figure below presents the summary on the duration of issuance of advice by the Authority

Figure 2.4.3: Duration Taken to Issue Advice



Compared with other years, most requests for advice were issued within 1 - 7 days at 29% followed by 8 - 14 days at 27%. This shows that over the two year period, 56% of the advices have been issued within the days prescribed in the Authority's service charter. The table below presents the details.

Table 2.4.4: Comparison of Duration taken to Issue Advice between FYs

Duration in Days	Frequency			Percentage
	2016/17	2015/16	TOTAL	
1 - 7	44	68	112	29
8 - 14	50	55	105	27
15 - 21	27	26	53	14
22 - 30	18	31	49	13
30+	27	42	69	18
Total	166	222	388	100

2.4.3 Major areas of Requests for Advice

The following areas were identified as the most common areas where the different entities requested to be advised on:

- a) Use of single source selection method for procurement of consultancy services.
- b) Roles of the County Governors, County Secretaries and Chief Officers in public procurement at the County level.
- c) Framework agreements and framework contracting.
- d) Disposal of assets to employees and Board/Committee members of the PEs.
- e) Use of supplies and branch contracts to procure motor vehicles.
- f) Evaluation of consultancy services.
- g) Renewal of insurance contracts.
- h) Participation in the preference and reservation scheme by youth, women and PWDs.
- i) Use of direct procurement method.
- j) Interpretation of various sections of the Act.

2.4.4 Requests for Approval of Alternative Selection Method for Consultancy Services

Pursuant to Section 124 (15) of the Act, the Authority is mandated to approve requests by PEs in cases where an Alternative Selection Method for procurement of consultancy services is selected.

During the period under review, the Authority received a total of four requests for approval of Alternative Selection Methods. One request was approved, two requests were rejected and one request was postponed because of a pending submission of a supporting documentation by the PE. Table 2.4.5 below details the status of the requests and reasons for approval, rejection or deferment.

Table 2.4.5: Status of Requests for Approval of Alternative Selection Method for Consultancy Services

	Procuring Entity	Subject Procurement	Approved/ Rejected	Reasons
1.	National Hospital Insurance Fund	Approval for use of alternative selection method for consultancy Services.	Approved	Justification met the requirements of the Act.
2.	Kenya Reinsurance Corporation Ltd	Justification for single sourcing of M/s KPMG to conduct risk management training.	Rejected	The request was not accompanied by the relevant documentation to enable the Authority issue informed advice and approval.

	Procuring Entity	Subject Procurement	Approved/ Rejected	Reasons
3.	National Environment Management Authority	Request to use single sourcing procurement method for advocacy on pollution control in the area of solid waste and effluent discharge.	Rejected.	The justification did not fulfil the conditions for use of Single Source Selection method as outlined under section 124 (12) of the Act.
4.	Privatization Commission.	Request for authority to use single sourcing selection method on additional consultancy services on the privatization of Consolidated Bank of Kenya limited the options on the analysis and implementation of bank's rights issue(Re-engagement of consultant-M/s Price Water House Coopers Consortium)	Deferred	The PE was advised to submit the necessary supportive documentation to justify the need for use of the said method pursuant to the Act.

2.4.5 Technical Support and Training

The Authority is mandated to provide technical support to stakeholders upon request pursuant to Section 9 (1) (g) of the Act. During the year under review, the Authority received 38 requests for technical support and training from procuring entities.

Some of the areas of request for technical support included invitation to participate in consultative forums as resource persons, training and sensitization of suppliers under the preference and reservation scheme, training and sensitization of Board members of various institutions and training of county officials on various aspects of the Public Procurement Law. The Authority effectively facilitated all the requests.

2.4.6 Development of the Public Procurement Regulations and Review of the Act

During the year under review, the Authority participated in the drafting and finalization of the Public Procurement and Asset Disposal Regulations. A Task force for the development of the Public Procurement and Asset Disposal Regulations, was launched by the Cabinet Secretary of the National Treasury on 21st April 2016. The Draft Regulations were finalized and submitted to



Cabinet Secretary for the National Treasury.

The Authority was also part of a team appointed by the National Treasury to review the inconsistencies in the Public Procurement and Asset Disposal Act, 2015 and propose amendments. The Proposed amendments were consolidated and shared with the National Treasury. Some of the Amendments were further approved and enacted by Parliament as contained in the Finance Act, 2017. Key highlights amendments under the Finance Act, 2017 include:

- (a) Section 55 of the Finance Act, 2017 amended Section 10 of the Act on the composition of the Regulatory Board.
- (b) Section 56 of the Finance Act, 2017 amended Section 10 of the Act on the composition of the Review Board.
- (c) Section 57 of the Finance Act, 2017 amended the Act by inserting a new section *K-Especially Permitted Procurement* immediately after Section 114. This outlines conditions under which specially permitted procurement may be used. The use of specially permitted procurement requires approval by the National Treasury

2.4.7 Development of the Code of Ethics for Persons participating in the public procurement and disposal Processes

Sections 9 (p) and 181 of Act mandates the Authority to develop a code of ethics to guide procuring entities and bidders when participating in public procurement and disposal with State organs and public entities. The Authority together with the National Treasury and Ethics and Anti-Corruption Commission developed and validated the Code of Ethics that was submitted to the National Treasury for consideration and presentation to the Cabinet.

The core objective of the Code of Ethics is to set minimum standards of ethical behavior for persons participating in the public procurement and asset disposal activities. This is to ensure compliance with the Act and the Regulations and adoption of good business practices.

The code covers the requirements/obligations of the persons including declaration and commitment to the Code of Ethics, compliance & monitoring of the code complaints, reporting mechanism and enforcement of the code, as well as provisions on the review and amendment of the code. A person participating in public procurement and asset disposal activities shall sign and commit to the code and submit it to the Procuring Entity (PE) as part of its bid documents.

2.4.8 Development and Issuance of Standard Tender Documents and Formats

The Authority is mandated under section 9 (1) (f) to prepare issue and publicize standard public procurement, asset disposal documents and formats to be used by public entities and other stakeholders.

During the year under review, the Authority developed and issued templates to be used by the procuring entities for submission of mandatory reports within the prescribed timelines. The reporting templates were disseminated through PPRA Circular No. 01/2016 of 16th December, 2016.

The table below summarizes the reports that all procuring entities are required to submit to the Authority as per the timelines and formats prescribed in the Act, Regulations and Circular.

Table 2.4.6: Nature and timelines for submission of the mandatory reports

No	Report Type/Name	Frequency of Submission	Deadline For Submission	Enabling Provision
A. REPORTS ON GENERAL PROCUREMENT TRANSACTIONS				
1.	Terminations of Procurement and Asset Disposal Proceedings	As and when used/done.	Within 14 days of termination.	Sec 63(2)
2.	Direct procurements of a value exceeding Kshs. 500,000/=.	As and when used.	Within 14 days of notification of award.	Regulation 62 of the Public Procurement and Disposal Regulations, 2006
3.	Disposal of public asset(s) to employees.	As and when used.	14 days of the disposal.	Regulation 93(2) of the Public Procurement and Disposal Regulations, 2006
4.	Contract awards.	Quarterly	Within 14 days after close of the quarter (i.e. by 14th day of the subsequent Quarter).	Sec. 138 (2)
5.	Contract Amendment/Variation	As and when used/done	Quarterly	Sec. 139(5)

No	Report Type/Name	Frequency of Submission	Deadline For Submission	Enabling Provision
6.	Report on seeking approval for use of Alternative Selection Method other than QCBS for Consultancy services.	As and when PE intend to use the selection method.	Prior to use/approval of the method.	Sec. 124(15)
A. REPORT ON PREFERENCES AND RESERVATION SCHEME				
6.	Report on all contract awards where Preferences and Reservation schemes are applied.	Quarterly	Within 14 days after close of the quarter (i.e. by 14th day of the subsequent Quarter.	Sec. 158(3)
7.	Six (6) Months report on Preferences and Reservation of contracts awarded to Youth, Women and Persons with Disability.	Every six (6) months/ biannual	Within 14 days after close of the half of the Financial Year (i.e. by January 14th and July 14th respectively).	Sec157 (12)& (13)
8.	Part of Annual Procurement Plan demonstrating procurements set aside under the Preference and reservation scheme	Annually	Within sixty (60) days after commencement of the Financial Year i.e. by 31st August.	Sec. 44(2)(I) & 158(2)

It is noteworthy that the PPRA Circular No. 01/2016 of 16th December, 2016 supersedes all previous circulars on mandatory reporting requirements issued under the repealed Act and Regulations. The reporting templates and the Circular can be accessed from our website www.ppra.go.ke. It is imperative for the Accounting Officers to note that failure to submit these mandatory reports amounts to non-compliance with the Act.

The Authority also developed and issued PPRA Circular No. 01/2017 of 30th January, 2017 on Tax Compliance Certificates Issued to Bidders under Sole Proprietorships. This was aimed at providing clarifications to the procuring entities on the applicability of Tax Compliance certificate for

businesses registered under Sole proprietor. The circular was issued owing to the large number of complaints received from the sole proprietorship bidders that they were being disqualified at evaluation stage. The Circular can be accessed from the Authority's website: www.ppra.go.ke.

2.4.9 Partnerships and Engagements

2.4.9.1 The Annual East African Public Procurement Forum (EAPPF)

The East African Public Procurement Forum (EAPPF) is an annual forum organized by the respective public procurement regulatory bodies drawn from the EAC Member states. The participants are drawn from public Sector, Private Sector, Professional Organizations, Civil Society and Training Institutions. The objective of the forum is to serve as a frame work that helps participants learn and benchmark with each other on their respective public procurement systems including policies and enforcement measures.

During the period under review, the 9th EAPPF was held at the Marriot Hotel in Kigali, Rwanda between 2nd and 4th November, 2016. The theme of the forum was '**Promoting Procurement Practices that Deliver Better Results**'.

The resolutions were as follows:

Table 2.4.7: Resolutions of the 9th EAPF Forum

No	Issue	Resolutions	Responsible	Time Frame
<i>Implementation status of the recommendations of the previous Forum</i>				
1.	Consolation of Previous Implementation Status.	To have a comparative and consolidated implementation status for all partner states to be submitted to (2) months before EAPF.	Hosting State	Next Forum 2017
1. Procurement of consultancy services: Contribution of the existence of organized engineers and architect. 2. Procurement of works emphasis on high value complex infrastructure				
2.	Reduce dependence on Foreign contractors and consultants.	EAC Secretariat to carry out baseline survey for the contribution and participation of local and regional experts/consultants in procurement of high value complex infrastructure contracts.	EAC Secretariat	Before the Next Forum 2017

No	Issue	Resolutions	Responsible	Time Frame
		Partner states to put in place strategies for capacity building and technology transfer for high value complex infrastructure contracts.	Partner States	Before the Next Forum 2017
3.	Partnership between Associations of professionals & statutory bodies	Partner states to establish collaboration and partnership between statutory bodies and association of professionals.	Partner States	Before the Next Forum 2017
<i>Procurement of Goods: Advantages of centralized procurement of goods</i>				
4.	Centralized versus decentralized for procurement of goods	EAC secretariat to conduct a comparative study on centralized and decentralized procurement of goods as appropriate.	EAC Secretariat	Before the Next Forum 2017
		Maintain the decentralized systems but develop guidelines to support the centralized systems where appropriate to be adopted in the next Forum.	Partner States	Before the Next Forum 2017
		Partner states to maintain flexibility innovative ideas and inherent practices respectively.	Partner States	N/A

No	Issue	Resolutions	Responsible	Time Frame
1. Research, Training and professionalization : contribution of training institutions to procurement results 2. Administrative Review mechanisms: Managing the volume of Administrative reviews through decentralization				
5.	Harmonization of professional training and accreditation	Partner states to harmonize professional training and accreditation for career development through continuous professional Development (CPD) to be recognized internationally.	Partner States	Before the Next Forum 2017
		Regulatory bodies in collaboration with key stakeholders to coordinate benchmarking capacity building research.	Partner States	Before the Next Forum 2017
6.	Harmonization of administrative review mechanisms	EAC to carry out a study for harmonization of administrative review of complaints or appeals.	EAC Secretariat	Before the Next Forum 2017
1. Monitoring of Budget support and project that use country system insights to oversight bodies for monitoring of procurement operations in procuring entities 2. Guidance on public procurement policy				
7.	Harmonization of the procurement regulatory frameworks	Partner states to put in place mechanism to reduce bureaucracy in procurement functions.	Partner States Partner States	Before the Next Forum 2017
		Partner states to put in place mechanisms to promote innovation creativity and professionalism in achieving procurement objectives.		Before the Next Forum 2017



No	Issue	Resolutions	Responsible	Time Frame
1. <i>Progress on the harmonization of procurement frameworks within EAC</i> 2. <i>E-Procurement: one of the options of establishing an E-Procurement system</i>				
8.	Harmonization of E-Procurement standards.	EAC Secretariat should carry out benchmarking to come up with common standards to guide in the development of E-Procurement systems.	EAC Secretariat	Before the Next Forum 2017
9.	Harmonization of public procurement frameworks.	EAC should proceed expeditiously to finalize the EAC policy and legislation to meet East African Monetary Union Protocol deadline before the end of 2018.	EAC Secretariat	Before the end of 2018
Designation of the next Hosting Country				
10.	Hosting of the next East African public procurement Forum	Uganda shall host the(10th) East African public procurement(EAPF)	Uganda	2017

2.4.9.2 The Project for Strengthening of Capacity on Road Maintenance Management

The Authority has been and continues to be a member of the National Steering Working Committee/Group. The 3rd phase of the program is currently under implementation. Under phase 2 relevant manuals were developed, training conducted on Performance Based Road Maintenance Contracting (PBRMC) for master trainers, trainers of trainers and officers from the roads authorities. Under phase 3 the program has commenced training of contractors and road authority officers spearheaded by Kenya Institute of Highways and Building Technology (KIHBT). The Authority has been participating in the training by providing facilitators/trainers.

The program identified a subcommittee responsible for development of standard tender documents for Performance Based Contracts as well a cost estimation (COSTES) sub working committee. The Authority is represented in the each of the two committees.

2.5 Research Initiatives and Reporting

2.5.1 *Development of the Market Price Guide*

Section 54 (3) of the Act mandates the Authority to issue a quarterly market price index as a reference guide in assisting accounting officers make informed price decisions. During this financial year the Authority analyzed the data on prices collected during the survey conducted in Nairobi, Mombasa, Kisumu, Bungoma and Eldoret. The market price reference guide reports were prepared and posted in the website, www.ppra.go.ke for ease of reference by all stakeholders.

In addition, the Authority initiated the process of updating the current items list to ensure that it is comprehensive and accurate. The updated list will facilitate the Authority to generate indicative prices for the items and ensure that the procuring entities were guided accordingly. To this end, the Authority convened a consultative meeting with key stakeholders on September 14th, 2016 with a view of supporting the Authority to identify and specify standard goods, works and services in their respective sectors.

The consultative meeting resolved that the key stakeholders should submit to the Authority a list of clearly specified standard goods, services and works procured within their sectors. In addition, it was underscored that public entities in the infrastructure sector should adopt and use the Cost Estimation Manuals as a guide during their procurement processes to avoid the challenges currently being faced in terms of project specification and cost estimations.

The Authority also sampled and collected data from 135 procuring entities on the nature, quantity, value of all goods, works and services they procured during the 2015/2016 financial year. The data collected is currently being processed to facilitate preparation of the revised item list for collection of market prices.

2.5.2 *Study on the Uptake of the Procurements Reserved for the Preference and Reservation Scheme*

Section 9 (1) (i) of the Act mandates the Authority to research on the public procurement and asset disposal system, and any developments arising from the same. To that end, during the year under review, the Authority commissioned the Kenya Institute for Public Policy Research and Analysis (KIPPRA) to undertake on its behalf a study on the *factors influencing the uptake of 30% procurement spends under the preference and reservation scheme for the target groups (women, youth and PWDs)*.

The key objective of this study is to identify the strategies needed to deepen the reforms aimed at hastening the uptake of the procurement reserved to the target groups under the Access to Government Procurement Opportunities (AGPO) initiative. Once finalized, the findings and the report will be shared with all stakeholders.

2.5.3 Country Procurement Assessment Survey

Section 9 (1) (b) and (i) of the Act mandates the Authority to monitor the public procurement system and report on the overall functioning, and research on the public procurement and asset disposal system and any developments arising from the same. To that effect, during the year under review, the Authority engaged a consultant to undertake on its behalf a Country Procurement Assessment using the OECD - DAC joint venture methodology.

The main objective of this assessment is to conduct an intensive review of the national procurement and asset disposal systems to identify weaknesses in the legal framework and in the applications in order to come up with recommendations for improvements and remedial measures against weaknesses and irregularities in the system. The final report will be shared with all stakeholders once the survey is completed.

2.5.4 Survey on the Number of Procuring Entities in the Country

To effectively monitor the public procurement and asset disposal system, it is imperative that the Authority maintains an up to date data base of all the public entities participating in the procurement and disposal of goods, services and works in the country.

During this financial year, the Authority initiated collection of data on all the public entities that fall within the meaning/interpretation under Section 2 of the Act, with a aim of updating the existing records. The data is being analyzed and the database will be uploaded in our website in the next financial year. The data base will enable the Authority to undertake its responsibilities in an efficient and structured manner in view of the current list of all public entities.

2.5.5 Preparation and Submission of Preference and Reservation Reports to Parliament

Pursuant to section 157 (14) the Authority is mandated to prepare and submit to Parliament every six (6) months a report on the contracts awarded to youth, women and persons living with disabilities. During the year under review, the Authority prepared and submitted to Parliament the preference and reservation reports for the January - June, 2016 for the 2015/2016 financial year and July - December, 2016 for the 2016/2017 financial year. The details of the reports are presented in chapter four of this report.

PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW

CHAPTER **03**



3.1 Introduction

The Public Administrative Review Board (the Review Board) is established under Section 27 (1) of the Act as by Section 56 of the Finance Act, 2017. The Review Board has the mandate to receive and determine cases of complaints from candidates who claim to have suffered or risk suffering, loss, or damage due to the breach of duty imposed on a procuring entity by the Act or the Regulations. The main function of the Review Board under the Act is to review, hear and determine public procurement tendering and asset disposal disputes.

In performance of its activities, the Review Board applied the following strategies:-

- i) Enhance efficiency in handling applications for review.
- ii) Enhance Compliance with The Public Procurement Law.
- iii) Enhance The Capacity of The Board.
- iv) Provision of Relevant Reference Materials for the Board.
- v) Promote a culture of continuous learning and improvement..
- vi) Increase access to the Review Boards Services.

This chapter therefore presents the activities undertaken by the Review Board for the quarter under review.

3.2 Handling of Applications for Review

3.2.1 Number and Status of Requests for Review

The Review Board cumulatively presided over 128 cases during the Financial Year 2016-2017 as detailed in the table below.

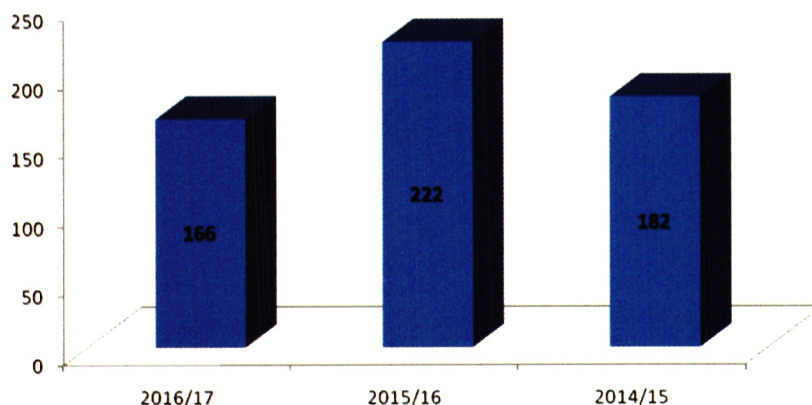
Table 3.2.1: Number and Status of Requests for Review

Item	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Successful Cases	18	13	14	11	56
Unsuccessful Cases	16	13	15	13	57
Cases Withdrawn	2	5	4	4	15
Total	36	31	33	28	128

The numbers of cases lodged during the period under review recorded an increase of 40% compared to twenty cases in the similar period of the previous financial year (2015-2016). Figure 3.2.1 represents the quarterly comparison the status of cases lodged at the Review Board.

Figure 3.2.1: Status of Cases Lodged at the Review Board

Number of Advice Issued over the FY's

**3.2.2 Notification of Appeals to Procuring Entities**

The Procuring Entities whose procurement and asset disposal processes were the subject of reviews were notified of the filing of the appeals within the duration detailed in the table below.

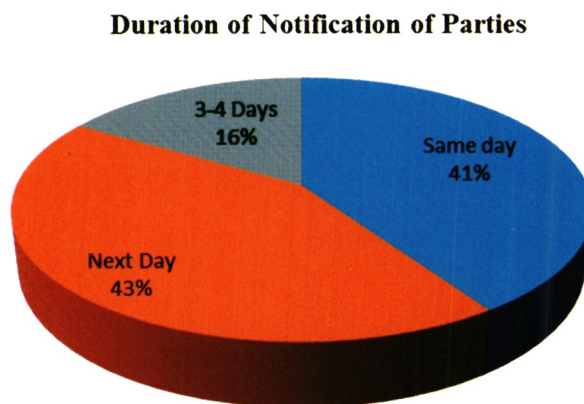
Table 3.2.2: Duration of Notification upon Filing of Appeals

Duration	Q4	Q3	Q2	Q1	Total	%
Same day	12	20	7	13	52	40.6
Next Day	8	10	17	20	55	43.0
3-4 Days*	8	3	7	3	21	16.4
Total	28	33	31	36	128	

*This is usually affected if the day of filing is immediately followed by a weekend or a public holiday.

The figure across presents the distribution of the time taken by the Review Board to notify the parties upon filing of appeals; where 84% of the notifications were made on the same and the next day.

Figure 3.2.2: Duration of Notification of Parties



3.3 Hearing and Determination of Cases

All cases lodged were heard and determined within an average of twenty days. The table below presents the details.

Table 3.2.3: Average Time Taken to Determine Cases

Item	Qaurter 1 (Days)	Qaurter 2 (Days)	Qaurter 3 (Days)	Qaurter 4 (Days)	Cum. Average (Days)
Average Days Taken to Determine Appeals	19	21	20	19	20

Section 171 of the Act requires that the requests for review be heard and determined by the Review Board within a period of twenty one (21) days from the filing, and hence this requirement was satisfied in all the cases.

3.4 Number of Procuring Entities brought before the Board

A total of fifty eight Procuring Entities were brought before the Review Board. The State Corporations were the most accused category of PEs by appearing twenty six (26) times before the Board. The table below shows a breakdown of the categories of the Procuring Entities that appeared before the Review Board following filing of Requests for Reviews against them. The number of times a specific procuring entity appeared before the Review Board is provided under Annex 1.

Table 3.2.4: Frequency of Categories of PEs' Appearance before the Review Board

S/No	PE Category	Frequency
1.	State Corporations	26
2.	Ministries	8
3.	Universities	8
4.	County Governments	4
5.	Commissions	3
6.	Hospitals	2
7.	Judiciary	2
8.	Schools	1
9.	Colleges	1
10.	Water Boards	1
11.	CDFs	1
12.	Central Bank of Kenya	1
Total		58

3.5 Common Grounds of Appeals

The two main common grounds for filing requests for review were:

- a) Tender evaluation
 - i) Failure to set forth the evaluation criteria in tender documents by the procuring entities.
 - ii) Failure to apply the criteria set forth in the tender documents during evaluation by the procuring entities.
- b) Tender Award
 - i) Failure to award the contract to the lowest evaluated tenderer.
 - ii) Failure to award the contract to the most responsive bidder.

3.6 Common Grounds for Preliminary Objections

Procuring entities and interested parties are allowed by law to file for preliminary objections on the grounds of the requests for review. Common grounds for preliminary objections noted in the reporting quarter were mainly a challenge against:-

- a) The Review Board's Jurisdiction: This is usually challenged on the grounds that a contract could already have been entered into by the PE with the successful tenderer, or that the time for filing the Request for Review had already lapsed before the Applicant filed the appeal, as per the requirements of Section 167 of the Act.
- b) The *locus standi* (status) of the Applicant: An Applicant's standing is challenged so as to determine whether the Applicant is a candidate or not, as per Section 167 of the Act.

3.7 Judicial Review

Thirty Five (35) out of the hundred and twenty eight (128) cases lodged were subjected to judicial review at the High Court translating to 27.3% of all cases determined by the Review Board.

3.8 Other Activities Implemented by the Review Board

3.8.1 Business Process Reengineering (BPR)

The Administrative Review Board Secretariat commenced the process embarked on comprehensive Business Process Reengineering, (BPR) exercise to enable the Secretariat and the Board to improve its operational performance by aligning and automating processes. To this extent, a consultancy firm was engaged through the sponsorship of the GIZ Good Governance Program to facilitate the exercise. The Consultants proposed a redesign of the existing business processes aimed at achieving improvements in the performance of the Review Board and the Secretariat. The Authority commenced the process of implementing the recommendations of the consultancy.

3.8.2 Full Board Meeting of the Review Board

The Review Board held a full board meeting on 29th September, 2016 pursuant to the requirements of the Second Schedule of the Act.

3.8.3 Re-Branding of the Review Board

The Review Board, through the sponsorship of the GIZ Good Governance Program engaged a consultant who developed a Re-Branding Report which contained the Review Board's new Logo, Seal, and Brand Manual. These were all approved by the Review Board for use. The Secretariat has since been using the logo in its communication with external stakeholders.

3.8.4 Publication of Procurement Law Reports 2011-2013

The printing of Law Reports for the period 2011-2013 by the Kenya School of Law, which had been contracted by the Authority to provide the service, was commenced.

3.8.5 PPARB's Corporate Strategy Re-Organization

To support the Review Board's corporate strategy re-organization, GIZ-Good Governance Programme assisted the Review Board in developing a 5 year corporate strategic plan covering the period 2017-2021. The Strategic Plan ((2017-2021) will guide the Review Board's operations and ensure realization of its mandate.

PREFERENCE AND RESERVATION SCHEMES

CHAPTER 04



4.1 Introduction

During the year under review, the Authority prepared and submitted to Parliament two reports on contracts awarded to youth, women and Persons with Disabilities (PWDs). The reports covered the January - June, 2016 period being the second half of the 2015/2016 and the July - December, 2016 period, being the first half of the 2016/2017 financial year. The subsections below present the details.

4.2 The Preference and Reservation Report for January - June, 2016 Period

Section 157 (12) and (13) of the Act instructs procuring entities at the National and County levels to submit reports to the Authority every six (6) months demonstrating compliance with the legal provisions on implementation of the preferences and reservation scheme. The report should be disaggregated to indicate the number of youth, women and persons with disability for whom goods, works and services have been procured by the procuring entity as required under section 157 (13) (b) of the Act. This is a mandatory report to be submitted to the Authority to enable preparation of a report to Parliament pursuant to Section 157 (14) of the Act.

Section 155 of the Act makes it mandatory for Public Entities to comply with the provisions of Part XII of the Act on Preference and Reservations in Procurement. Section 53(6), and 157(5)& (10) of the Act requires Accounting Officers of public entities to preserve a prescribed percentage of its procurement budget, which shall not be less than 30%, to the disadvantaged group and comply with the Act and Regulations in respect of preference and reservations.

4.2.1 Reservation of Procurement Spend to the Target Groups

During the reporting quarter, the Authority prepared and submitted to Parliament the preference and reservation report for the second half of the 2015/2016 financial year. This chapter presents a summary of that report.

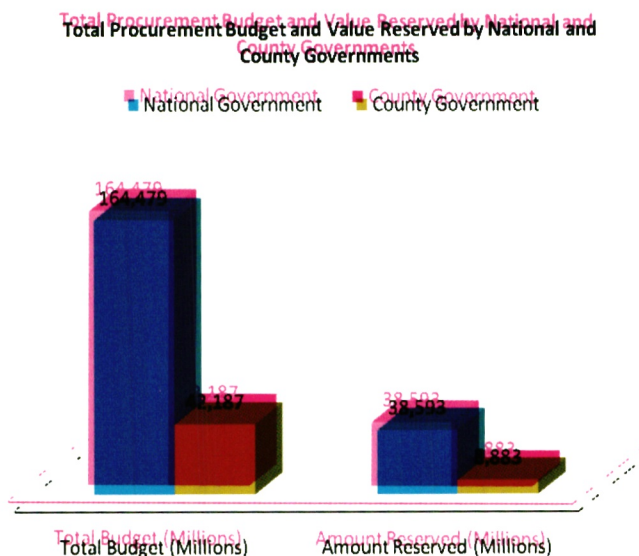
A total of 222 procuring entities reported on the contract awards to the target groups (women, youth and PWDs) under the preference and reservation scheme. Out of the 222 procuring entities, 178 were from National Government entities which included; 24 Ministries and State Departments; 118 State Corporations 25 Universities and Colleges, 11 Commissions and Independent Offices. Whereas 44 were from the County Governments including 19 County Executives, 23 County Assemblies and 2 County Corporations.

The 177 National Government procuring entities reported to have reserved a total of KES. 38,627,367,897.35 for the target groups (Youth, women and PWDs) out of a cumulative total procurement budget of KES. 164,479,149,990.28. On the other hand, the 44 County Government entities reported to have reserved a total of KES. 8,287,308,486 out of total cumulative budget of KES. 42,187,137,935. The table and the graph below present the data.

Table 4.1.1: Summary of procurement budget allocated to the target groups during the Second Half of the 2015/2016

Category of Institutions/Sector	Total budget (KES)	Amount Reserved	Percentage Reserved (%)
National Government Procuring Entities			
Ministries & State Departments	29,975,368,181	6,703,458,294	22.4
State Corporations	124,320,973,477	29,202,230,012	23.5
Universities And Colleges	7,114,957,053.28	2,151,121,648.05	30.2
Commissions and Independent Offices	2,954,551,279	536,557,943.30	18.2
Sub-Total	164,479,149,990.28	38,627,367,897.35	23.5
County Government Procuring Entities			
County Executives	37,210,112,543	7,595,136,385	20.4
County Corporations	2,208,734,380	595,684,670	21
County Assemblies	2,768,291,012	692,172,101	25
Sub-Total	42,187,137,935	8,882,993,156	22.1
Grand Total	206,666,287,925	47,510,361,053.35	22.99

Figure 4.1.1: Procurement Spend Reserved for the Target Groups by National and County Governments



Cumulatively, the two levels of government reported to have reserved a total of KES. 46,925,465,743.35 representing 22.9% of the total annual procurement budget of KES. 204,716,670,225.28. The 22.9% shows that a number of PEs did not reserve the requisite 30% of their procurement budgets to the target groups. The figure below shows the distribution of the total procurement budget and the amount reserved by different entities at National and County levels of Government.

Figure 4.1.2: Distribution of Total Procurement Budget by Different Entities

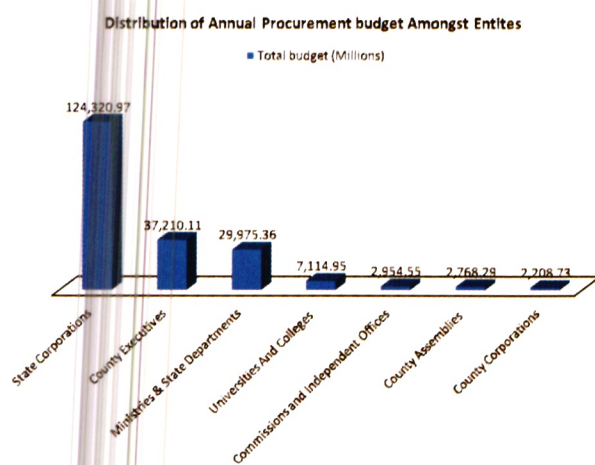
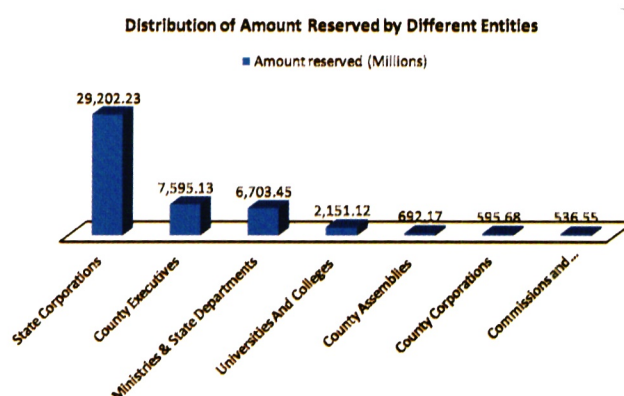


Figure 4.1.3: Distribution of Total Amount Reserved by Different Entities



4.2.2 Summary of Contracts Awarded to Youth, Women and PWDs

The 222 procuring entities awarded a total of 20,766 contracts worth KES. 16,050,603,406.21 to the target groups. Out of the total contract awards, women were awarded the highest number at 10,230 contracts while the youth and PWDs were awarded 9,189 and 1,347 contracts respectively. The women recorded the highest percentage out of the total contract awards with 49.26% while the Persons living with disabilities had been awarded the least, that is, 6.5% of the total contract awards as presented in the figure below.

Figure 4.1.4: Percent Distribution of Number of Contracts Awarded to Target Groups

Total Number of Contracts Awarded by All Entities

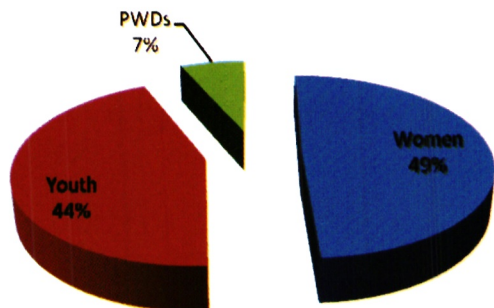
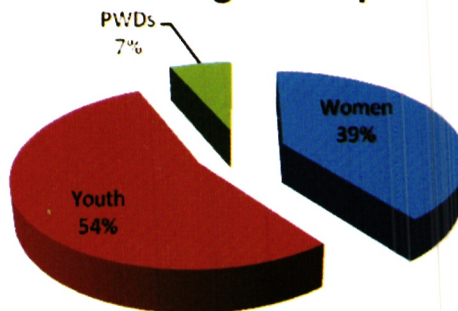


Figure 4.1.5: Percent Distribution of Values of Contracts Awarded to Target Groups

% Value of All Contracts Awarded to the Target Group



In terms of value of the contracts awarded, the youth were awarded the highest amount represented by 54% while the PWDs were awarded the least amount represented by 7%. The figure below represents the details.

The table below presents the summary of number and value of all contracts awarded by the PEs that report.

Table 4.1.2: Summary of All Contract Awards by Categories of Procuring Entities

No	PROCURING ENTITIES CATEGORY	WOMEN		YOUTH		PWDS		Total No. Of Contract Per Category of PEs	Total Contract Value Per Category of PEs
		No.	Value	No.	Value	No.	Value	Per PEs	
1	Ministries	1,205	1,273,013,358	958	1,585,226,243	81	67,895,800	2,244	2,907,758,298
2	State Corporations	4,863	2,818,030,020	3,833	3,313,259,305	811	558,524,476	9,507	6,689,813,798
3	Universities/Colleges	2,854	507,798,866	2014	457,698,902	265	116,715,458	5,133	1,082,213,226
4	County Executives	804	1,374,690,002	1,783	2,758,739,364	105	147,524,000	2,692	4,280,953,365
5	County Corporations	5	72,338,574.41	77	351,147,413	12	3,964,232.8	145	427,450,220.21
6	County Assemblies	118	91,909,459	262	100,107,623	29	5,620,303	409	197,637,385
7	Commissions and Independent Offices	330	212,825,281	262	99,755,627	44	152,196,205	636	464,777,114
TOTAL		10,230	6,350,605,560.41	9,189	8,665,934,477	1,347	1,052,440,474.8	20,766	16,050,603,406.21

From the analysis of the report, the Authority noted an improvement in the mandatory reporting as a total of 224 PEs submitted the reports against less than 100 in the past. However, a number of issues were noted from the submissions.

- A number of PEs were not allocated their minimum 30% of their annual procurement budget to the preference and reservation scheme as required by the Act.
- PWDs were awarded the least number of contracts by all the entities. It is also reported that some of the entities did not award contracts to the PWDs at all. .
- Reluctance and late reporting by most of the PEs, also poor reporting by Ministries and State Departments (25/40) and County Government Entities (42/94).

4.3 The Preference and Reservation Report for July - December, 2016 Period

During the year under review, the Authority compiled and submitted to Parliament the report for the first half (July - December, 2016) of the 2016/2017 financial year. As at the time of compilation of this report, 137 public entities had reported on the contracts awarded to the target groups (youth, women and PWDs). This shows that fewer entities reported compared to the previous reporting period (January-June, 2016), where a total of 222 entities reported.

From the 137 entities, 124 were from National Government, comprising of 9 Ministries, State Departments, the State House, Office of the Attorney General and Department of Justice also 85 state corporations, 25 Universities & Colleges and 5 Commissions and Independent Offices. The remaining 13 were from County Governments, comprising of 9 County Executives and 4 County Assemblies.

4.3.1 Annual Procurement Spend Reserved for the Target Groups

At aggregate level, the two levels of Government reported a total procurement spend budget of KES. 208,311,815,904.65, of which KES. 37,852,478,146.34 is represented by 18.17% which was reserved for the target groups (youth, women and PWDs). This depicts that a number of PEs reserved less than the prescribed minimum of 30%. Table 16 below presents the details.

Table 4.2.1: Procurement Spend Reserved for the Target Groups

Category of Institutions/Sector	Total budget (KES)	Amount Reserved	Percentage Reserved (%)
NATIONAL GOVERNMENT PROCURING ENTITIES			
Ministries & State Departments	21,658,131,611.01	4,721,006,841	21.8
State Corporations	161,262,415,067.39	26,024,697,813.69	16.14
Universities & Colleges	3,993,217,174.40	1,072,868,766.64	26.9
Commissions & Independent Offices	8,301,160,971	2,463,853,754	29.7
National Sub-Total	195,214,924,823.80	34,282,427,175.33	17.6
COUNTY GOVERNMENT PROCURING ENTITIES			
County Executives	11,939,170,868.40	3,268,640,042.01	27.38
County Assemblies	1,157,720,212.45	301,410,929.00	26.03
County Subtotal	13,096,891,080.85	3,570,050,971.01	27.26
GRAND TOTAL	208,311,815,904.65	37,852,478,146.34	18.17

With reference to the amounts reserved by entities, the 124 National Government procuring entities reserved a total of KES. 34,282,427,175.33 for the target groups (Youth, women and PWDs) out of a cumulative total procurement budget of KES. 195,214,924,823.80. On the other hand, the 13 County Government entities reserved a total of KES. 3,570,050,971.01 out of a total cumulative budget of KES. 13,096,891,080.85.

Specifically Ministries, State Departments, State House and State Law Office, only (5) out of nine (9) entities reported on their annual procurement spend of KES. 21,658,131,611.01 of which KES. 4,721,006,841 (21.8% on average) was set aside for the Youth, Women, and PWDs. Only three (3) entities in this category set aside the required minimum of 30% of their procurement budget to the target groups while the remaining two did not reserve the required minimum of 30%.

On State corporations, out of the 85 that reported, only 64 reserved at least 30% and 17 others did not reserve the minimum 30% of their procurement budget to the target groups as envisaged by the Act. The rest did not disclose their total planned and reserved procurement budgets. Universities, Colleges, Polytechnics and Institutes on the other hand are the twenty five that reported, twenty (20) reserved at least 30% while the rest reserved less than the required minimum of 30%.

On Commissions and Independent Offices, only five (5) submitted their reports, of which four entities set aside the required minimum of 30% of their procurement budget to the target groups; except the Office of the Auditor General at 14%.

In the County Governments, out of the nine (9) County Executives that reported, only seven (7) County Executives reported on the amount of which a total of KES. 3,268,640,042.01 out of a total annual procurement spend of KES. 11,939,170,868.40 representing 27.38% of the total annual procurement spend was reserved for the target groups. From further review of the submissions, only five (5) County Executives reserved at least 30% of their annual procurement budget to target groups; whereas the rest did not reserve the required minimum of 30%.

The County Assemblies, out of the four (4) County Assemblies that reported, reserved a total of KES. 301,410,929.00 out of the total procurement budget of KES. 1,157,720,212.45 representing 26.03% of the total annual procurement spend. In addition, only three (3) reserved at least 30% while County Assembly of Embu reserved less than 30% at 1.06.

4.3.2 Number and Value of Contracts Awarded to the Target Groups

The two levels of Government was cumulatively awarded a total of **16,907** (16,207 by National Government and 700 by County Governments) contracts worth **KES 14,638,201,523.26** representing a **38.7%** absorption of the Reserved budget of **KES 37,852,478,146.34**. In terms of numbers women were awarded the highest number of contracts at **8,755** contracts while the youth and PWDs were awarded **7,271** and **884** contracts respectively. The youth were awarded the highest value of the contracts at **KES 7,162,937,493.36** followed by women at **KES 6,157,766,075.82** and PWDs at **KES 1,317,497,954.08**. The figures below presents the summary.

Figure 4.2.1: Number of Contracts Awarded to the Target Groups

Percentage distribution of the 16,907 Contracts to Women, Youth and PWDs

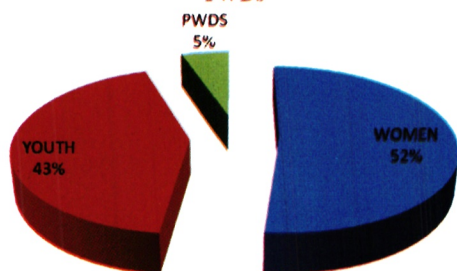
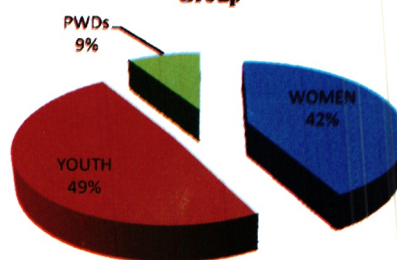


Figure 4.2.2: Value of Contracts Awarded to the Target Groups (%)

Percent Distribution Value of All contracts Awarded to the Target Group



In terms of numbers and values of contracts awarded by different categories of PEs, the State Corporations awarded the highest number of contracts at 7,076 of which 3,878, 2,809 and 389 were awarded to Women, Youth and PWDs respectively and amounted to KES 10,902,836,348.70. When disaggregated, the Youth got the highest amount at KES 5,293,515,793.01 while contracts awarded to Women and PWDs amounted to KES 4,439,931,230.17 and KES 1,169,389,325.52 respectively. This accounted for 74% of the value of all contracts awarded by the 137 entities.

Universities, Colleges, Polytechnics and Institutes which were awarded a total of **7,019** (3556 to women, 3088 to youth and 375 to PWDs) and the total value of the contracts amounted to **KES. 1,024,162,763.00**. This was followed by Ministries and State Departments at **1941** contracts out of **1021** that were awarded to women, **836** to youth and **87** to PWDs. The value of the contracts totaled **KES. 1,498,333,581.19** (disaggregated as **KES. 779,048,950.30** to women, **KES. 642,365,082.89** to youth and **KES. 76,919,548.00** to PWDs). Lastly under National Government, Commissions and Independent Offices were awarded a total of **171** contracts (for which **86** to youth, **70** to women and **15** to PWDs) and the total value of the contracts was **KES. 131,204,214.95**.

Finally the County Governments and the County Executives were awarded a total of **642** contracts valued at **KES. 1,061,990,665.26** and the County Assemblies awarded a total of **58** contracts valued at **KES. 19,673,950.00**.

In summary, we noted that PWDs were awarded the least number of contracts across all the entities that reported with some entities awarding zero contracts to this target group. We further noted that a number of public entities did not reserve at least the required minimum of **30%** of their procurement spends to the target groups.

A number of entities were not reporting to the Authority as prescribed in the Act, and they reported after the recommended deadlines. Finally, to ensure uniform and consistent reporting, the Authority developed and disseminated templates for reporting by public entities vide PPRA Circular No. 01/2016 of 16th December, 2016.

STATUS OF THE PUBLIC PROCUREMENT SYSTEM

CHAPTER **05**



5.1 Legislative/Regulatory Frameworks

The constitution of Kenya under Article 227 provides states that Parliament should enact legal framework to guide public procurement system in the country. To this end the Parliament enacted the Act which became operational on 7th January, 2016. The new law expanded the mandate of the Authority, introducing more procurement methods among others. Procuring entities continued using the regulations issued under the repealed Act pending the finalization of the regulations to the new Act.

In the absence of the regulations under the Act and the continued reliance on the regulations issued under the repealed Act, a number of challenges are being experienced with some sections of the Act which were not provided for by in the old regulations. In addition, certain sections of the law having mismatching cross referencing. This makes it difficult to fully implement the affected sections of the law.

The Act complements other relevant statutes such as the Public Finance Management Act, County Government Management Act, Anti-corruption and Economic Crimes Act, the Bribery Act, Supplies Practitioners Management Act among others in the fight against corruption.

5.2 Institutional/Management Capacity

From the procurement compliance monitoring activities conducted by the Authority, most of the PEs had established the procurement function as required by the Act. However, it was noted that some of the heads of the procurement function were not reporting directly to the Accounting Officers as required by Section 2 of the Act. In certain instances the function was also not staffed with procurement professionals as well as not being members of the Kenya Institute of Supplies Management (KISM).

Among the procuring entities that were assessed, it was noted that most of the PEs had weak record management systems evidenced by incomplete procurement files and poor filing systems. Furthermore no specific individuals were assigned responsibility of maintaining procurement records. The inventory and store management systems of the PEs assessed were weak as demonstrated by the variance between physical and ledger balances due to un-updated records.

Most of the PEs assessed had no Procurement and Asset Disposal Manual/Policy to guide their procurement and disposal activities. The PEs that had the manuals had not aligned them to the current procurement law. Most of the PEs did not submit mandatory reports to the Authority and a number of the reports were submitted outside the required timelines or not in the prescribed formats.

5.3 Procurement Operations and Market Practices

From the procurement monitoring activities conducted by the Authority, it was noted that most of the entities had prepared the procurement plans. However, a number of the PEs had reserved less than the prescribed minimum of 30% of their procurement budget to the target groups.

From the tender opportunities advertised by the entities and reviewed by the Authority, it was noted that some of the tender notices did not meet the minimum requirements as prescribed for instance failure to inform the bidders to serialize their tender documents and charging fees for the tender documents where it was not applicable.

The Authority further noted that some of the entities failed to adhere to the evaluation criteria set in the bid documents and evaluating the tenders beyond the prescribed timelines. From the procurement monitoring activities conducted by the Authority it was discovered that a number of the procuring entities did not simultaneously notify the successful and the unsuccessful bidders as prescribed under the Act.

On the professional opinion, the Authority noted that there is no standard format for preparation of the opinion and the details to be included therein. Thus the opinions prepared in some instances had inadequate information.

The Act has provided a mechanism and procedure for contract management including the mandatory contents. It was noted that some of the entities were not complying with the prescribed requirements. The entities could therefore run the risk of unsuccessful implementation of the contracts, challenges in disputes resolution and legal action amongst others.

Section 142 of the Act requires successful tenderers to submit performance bonds before signing of contract, where applicable. However, the Authority noted that a number of the PEs accepted performance bonds that did not meet some of the requirements. The Authority received numerous complaints from suppliers on delayed payments by the procuring entities.

5.4 Integrity and Transparency

The Act requires the PEs to publicize the procurement opportunities, conduct public opening of tenders, and notify simultaneously the successful and unsuccessful bidders. The tenders outcome disclosing the reasons why the bid is not successful and publish contracts awarded in their notice boards and websites. In addition, the Authority is mandated to prepare and publish reports, contracts awarded by the PEs and any other relevant information. These initiatives are carried out by the Authority and the PEs with the aim of achieving accountability and transparency in the public procurement and asset disposal system. In regard to the above, procuring entities advertise

procurement opportunities and tenders awarded through the Government Tenders Portal hosted in IFMIS. The PEs also advertises the tender opportunities in daily newspapers pursuant to section 96(2) of the Act.

Section 62 of the Act provides that while submitting their bids, suppliers are required to declare that they will not be involved in corrupt practices. Public officers involved in the public procurement and disposal activities are required to declare any conflicts of interest. The Authority developed a code of Ethics for persons participating in the public procurement and asset disposal activities. A breach of the Code of Ethics amounts to commission of an offence and would provide grounds for debarment of a person from participating in the public procurement and asset disposal proceedings pursuant to Section 41 of the Act.

5.5 Areas Subject to Controversies, Protests or Litigations

After the operationalization of the Act, a number of County Governments experienced challenges in establishing the procurement structure as prescribed in the Act. Other areas of controversy were on who should be the Accounting Officer in the County Government and the roles of the County Secretary and Governors in procurement activities.

Other areas that have been subject to controversies included contract variation, single source selection method for procurement of consultancy services, leasing of assets (public and private) and disposal of assets.

The following areas have been subject to bid litigation/protest/appeals through the administrative review process: tender evaluation in terms of failure by PEs to set forth the evaluation criteria in tender documents and/or, applying the criteria disclosed in the tender documents during evaluation. Another area of litigation was on tender awards where PEs did not award the contract to the lowest evaluated tenderer and/or, to the most responsive bidder.

MANAGEMENT OF INTERNAL ORGANISATION

CHAPTER

06



6.1. Procurement Operations

In the financial year 2016/2017, the Authority reserved KES 18,060,990 for special groups being 30% of the annual procurement spent KES. 60,203,300. Out of the KES. 18,060,990, 2% was reserved for Persons living with Disability (PWDs) being KES 361,219.80. The table below presents details of the annual procurement spends on the special groups.

Table 6.1.1: Number and Value of Contracts Awarded to Special Groups

Group	No. of Contracts	Amount KES.	%
Youth	23	12,940,672.00	59.06%
Women	20	8,675,804.00	39.6%
PWDs	1	291,000.00	1.33%
TOTAL	44	21,907,476.00	100%

In the Financial Year 2016/2017, the cumulative total spends on the reservation groups was **KShs. 21,907,475.74** and therefore the target of **KShs. 18,060,990** was exceeded by **KShs. 3,846,485.74**. The Authority also conducted a sensitization forum for women, youth and PWDs in May, 2017 at the Kenyatta International Convention Centre (KICC), to enlighten them on the Act and how to prepare and submit responsive bids. The sensitization saw more PWDs registering with the Authority and as a result, the Authority managed to award contracts amounting to **KShs. 291,000.00** to PWDs. The Authority did not manage to meet the target of awarding at least 2% of its reserved procurement spends to the PWDs. This was occasioned by the failure of PWDs to submit responsive bids.

6.2 Human Resource Management

The Authority takes cognizance of the fact that employees are a key resource in the delivery and provision of services to the Authority and country at large. As such the Authority continues to invest heavily in order to continuously improve the Human resources through upgrading of HR processes, policy development and application, training and development.

The approved staff establishment stood at 84 and in-post was 64 including one staff seconded to the National treasury. The gap between the in-post and establishment arose because of pending approval by the National Treasury for the Authority to recruit additional staff and lack of Regulatory Board among others. The table below presents key Human Resource data for the 2016-2017 financial year.

Table 6.2.1: Personnel Data for the Authority

Item	Description	Data
Staff Deployments per Workstation	Number of staff at the Head Office	59
	Number of staff at the Kisumu Regional Office	3
	Number of staff at the Mombasa Regional Office	2
Gender Parity	Number Of Female Employees	17
	Number Of Male Employees	47
Age Segment	Number of employees aged Less than 30 Years	4
	Number of employees aged between 30-40 years	29
	Number of employees aged between 41-50 Years	24
	Number of employees aged between 51-60 years	7
Grading	Number of employees in Management grades	12
	Number of employees in Non-Management grades	52
Average Length of Service in Years (PPRA as an Employer has existed for about six and half years).		4.5 years
Number of Promotions		3
Percentage of Staff Turnover		0
Number of Newly Recruitment Employee		6

Capacity and skills development is a strong pillar for improved performance and thus the Authority initiated training and development programs for members of staff in the year under review.

The table below presents the various trainings that were undertaken.

Table 6.2.2: Nature of Trainings Implemented

S/No.	Type of Training
1	Corporate governance training
2	Senior Management Course
3	Strategic leadership development Program
4	Implementing Public Procurement & Asset Disposal Act, 2015
5	Digitalization of Public Records

S/No.	Type of Training
6	Human Resources metrics & Analytics
7	Advanced IT Recovery & business Continuity Planning
8	Integrating enterprise Departments using IT
9	Certified Information systems Audit - CISA
10	Enterprise Risk management
11	ICPAK Annual training
12	Entry course in Arbitration Law & Practice
13	ICSPSK conference
14	IHRS user training

In addition to the trainings, the Authority strived to professionalize all cadres and thus facilitated employees to maintain their membership to professional bodies. During this period, the Authority continued with the implementation of results-based Performance management system, with a view to measuring and sustaining desired performance in the Authority.

As a means of improving HR management and data collection during the 2015-2016 Financial Year, the Authority acquired a Human Resource Management Information System. The implementation process commenced in the 2016-2017 Financial year and improved the efficiency of Human Resources processes and procedures.

Implementation of the larger public sector programs in the year under review was undertaken through the application of work place policies and programs on HIV/AIDS, Gender Mainstreaming, Disability mainstreaming in work place and Alcohol and Drug abuse prevention. Quarterly and annual reports were submitted to the respective lead agencies.

Towards enhancing employee relations and facilitation, service provision and support was availed throughout the year. This was through provision of a conducive working environment, adequate transport management and medical/ general insurance policies throughout the year.

The Authority facilitated the trustees to execute their responsibilities of managing the Public Procurement Oversight Authority Staff Pension Scheme (PPOASPS). During the 2016-2017 financial year, the Scheme made an overall Investment Return of 14%.

Decentralization of the Authority's Services

Section (8) (3) of the Act states that the Authority may for the purposes of ensuring access to its services in accordance with Article 6 of the Constitution establish such offices in regional locations as it may deem necessary for its operations. In line with that provision, the Authority opened two regional offices in Mombasa and Kisumu and deployed staff. The Mombasa office is located on 8th Floor of the Southern Wing of Mombasa. Trade Centre, along Nkrumah road while the Kisumu office is on 6th floor of the New Nyanza Provincial Headquarters (Prosperity house) located at the junction of Achieng Oneko/Awour Otieno Roads. In addition, the Authority conducted sensitization sessions in Kisumu, Siaya, Busia, Bungoma, Kakamega, Vihiga, Homa Bay, Migori, Kisii and Nyamira counties with the aim of creating awareness on the establishment of the PPRA Kisumu regional office. The Authority also commenced the process of opening two additional offices in Eldoret and Nyeri.

6.3 Corporate Services

The Public Procurement and Asset Disposal Act, 2015 that came into effect on 7 January 2016 transformed the Public Procurement Oversight Authority (PPOA) from an oversight body to a regulatory authority giving it a new name- **Public Procurement Regulatory Authority (PPRA)**.

In line with this, PPRA commissioned a corporate re-branding exercise which is also part of its long term strategy of remaining vibrant and relevant to its stakeholders. The first stage of the rebranding exercise was finalized during the financial year with the delivery of a new brand for the Authority and accompanying strategies for its successful implementation. Further, the implementation of the brand roll out kicked off with an aim of ensuring that the entire rebranding exercise meets its desired objectives.

The Authority has a duty to promote its brand as well as to inform members of the public on the activities and programmes it undertakes in the execution of its mandate. During the year, the Authority partnered with the media to undertake a radio campaign that was run in select local radio stations. As the operationalization of the new law gained momentum, two (2) advertisements were run to inform the procuring entities and members of the public on the mandatory reporting requirements as directed by the Act and the attendant Regulations.

The Authority also showcased its services by participating in three (3) Agricultural Society of Kenya (ASK) shows in Nakuru, Nairobi and Eldoret.

The website was also used continuously to reach the public and disseminate information. In total, the website received a total of 216,702 hits in the financial year.

During the year in review, the Authority continued to positively address customers' complaints. The efforts saw the Authority attain a composite score of 86% on the performance indicator on resolution of customer complaints by Commission on Administrative Justice (CAJ), this being a slight improvement from last financial year's score of 83%.

The Authority continued to face litigation risks as a result of business operations. During the financial year, two (2) litigation matters were filed against the Authority. Three (3) matters filed in the previous years were successfully concluded in favor of the Authority. At the close of the financial year there were five active litigation matters pending before various courts in the country. The Authority does not anticipate any substantial risk to its operations.

6.4 ICT Support Services

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

On a day to day basis the ICT Department manages existing ICT contracts and relationships with suppliers and manages the entire ICT Infrastructure to ensure that appropriate action is taken to resolve all reported incidents and problems associated with the use of the ICT infrastructure and systems. The Department offers on the job training and operational support to staff including transaction processing, resolving problems and incidents, logging emerging system issues with a view of resolving or escalating them to service providers as per existing Service Level Agreements (SLAs). The Department also performs specific system administration duties to ensure 24/7 system uptime. Among the activities undertaken during the fourth quarter of the 2016/2017 financial year were:

(a) Implementation of an ICT Systems Monitoring Tool

This system once installed will significantly reduce critical systems downtime, through a proactive system monitoring feature which manages operating systems, databases, servers in distributed and host environments.

The overall benefit of the system will be to ensure that all system issues are promptly reported and resolved in a proactive manner thus guaranteeing a 24/7 system uptime for all PPRA systems thus improving service delivery through online systems. The Authority is in the process of sourcing for the system providers.

(b) Purchase of ICT Hardware and Software

The Authority endeavored to make the staff more self-sufficient in terms of operational tools and also achieve a staff to computer ratio of 1:1 by procuring additional hardware and software.

By the end of the year under review, the Authority had entered into contracts for supply of additional ICT Hardware and Software.

(c) Provision of ICT Services to Regional Offices

The Authority identified key automation requirements for the regional offices. During the year under review, the Authority equipped the two regional offices in Mombasa and Kisumu with necessary ICT infrastructure for rolling out the Local and Wide Area Network and internet connectivity.

(d) Sustaining Internal and External Communication Facilities

The Authority aims at sustaining communication both internally and externally through the use of various online platforms. During the year under review the Authority redesigned and operationalized an upgraded corporate intranet to enhance internal communication among staff. The Authority also developed a redesigned and rebranded website which is due for acceptance testing before its official launching.

(e) Innovation

The Authority seeks to be innovative and adapt its service to the needs of the users. In this regard we committed to develop an eBook version of the PPAD Act, 2015 to be hosted on a mobile application. This is aimed at enhancing service delivery through the use of ICT in communicating matters relating to procurements, and specifically in the dissemination of laws, regulations and directives. By the end of the year under review, a contract had been awarded for the development of the app.

6.5 Internal Audit

As per the requirements of the *Mwongozo: Code of Governance for State Corporations*, the Authority had an established Internal Audit Function that reports administratively to the accounting officer/Director General and functionally to the Board Audit Committee.

The Internal Audit function provides reasonable assurance and consultancy in order to add value as well as improve the Authority's operations and internal control systems. The department assists the Authority to accomplish its objectives by bringing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control, and governance processes.

During the period under review, the Internal Audit function evaluated a number of areas and made recommendations on the effectiveness of governance, risk management and control processes within the Authority. Internal control deficiencies were only brought to the attention of management for review and action since there was no Board Audit Committee.

Risk Management

Risk management is an integral part of the Authority's Strategic management. Risk is the potentiality that unexpected events may have and the adverse impact on the achievement of the Authority's objectives. Risk management aims at identifying, measuring and mitigating various intrinsic as well as extrinsic risks.

The Authority has put in place a risk management framework in line with the requirements of *Mwongozo, The Code of Governance for State Corporations*. It has undertaken a number of activities in the implementation of the risk management framework including;

- i) Development of the Risk Management Policy.
- ii) Mapping out of key risks facing the Authority.
- iii) Development of departmental risk registers and,
- iv) Staff training on risk and risk management.

Key Risks facing the Authority

A number of key risks likely to impede the implementation of the Authority's mandate have been identified and include:

a) Litigation Risks

The Authority is exposed to legal actions arising from execution of its mandate because of its actions, inactions, services or other events.

The mitigation strategies include strengthening of the Authority's legal capacity, acquisition of relevant insurance covers, promotion of amicable settlement of matters and having a robust case management system for the Review Board.

b) Procurement Compliance Monitoring and Evaluation Risk

While undertaking its mandate of monitoring the public procurement system and reporting on its overall functioning, the Authority was challenged to establish the compliance levels where concerned.

The mitigation measures for compliance audit risk being explored include; 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 and evaluation systems.

c) Inadequate Financing

The Authority's budgetary allocation was inadequate to finance its activities under the core mandate. As a consequence, the Authority's activities were negatively affected. The mitigation measures include; prudent financial management, Collaboration with development partners, Implementation of the internal revenue generation strategies, and lobbying for additional government funding.

d) Records and Information Management Risk

The Authority has limited storage facilities and has not fully automated its documents management system. This poses a challenge in storage and retrieval of documents.

The mitigation measures being implemented include frequent trainings of staff on records and information management, development of business continuity plans; Development and implementation of records management policy, IT innovations in records management, acquisition of adequate secure and convenient storage facilities, development and operationalization of the ICT Policy.

e) Reputational Risks

The Authority is exposed to potential negative publicity whether true or false; this may have a negative impact on the Authority's services or lead to costly litigations.

The mitigation strategies include having a clear understanding of the Authority's mandate amongst the internal and 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) Occupational Safety, Health and Environmental Risks

The Authority has been expanding and thus the number of staff has increased. However, the office space has remained constant leading to staff congestion which poses a risk on the safety and health of staff members and visitors.

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

g) Under Staffing

The mandate for the Authority has expanded and there is need to hire more staff. However, the Authority was under staffed and as a result was unable to fully achieve its mandate effectively and efficiently.

The mitigation strategies included development of strategic plan, review of staff establishment, promotion of team work and recruitment of additional staff.

As the first line of defense, operational managers own and manage risks in their respective functional areas. They are also responsible for implementing corrective actions to address process and control deficiencies. The various risks and their mitigation strategies within the Authority have been consolidated in a risk register.

CONCLUSION AND RECOMMENDATIONS

CHAPTER 07



7.1 Challenges

The Authority faced a number of challenges in execution of its mandate during the period. Major challenges encountered are:

- (a) Lack of the Regulatory Board:** A number of key and strategic decisions especially during the transition period have delayed/put on hold as they require board approval. These include among others; review of the Authority's strategic plan to align it to the new mandate, restructuring, rebranding, approval of policy documents and manuals for the new functions and carrying out a job evaluation to determine the work load and optimal staffing levels to deliver on the enhanced mandate.
- (b) Inadequate Capacity:** The Authority does not have adequate staff to fully execute its mandate. PPRA currently has a staff complement of 64 employees which is inadequate compared to the huge mandate of ensuring compliance with the Act at both levels of Government, monitoring performance of the public procurement and asset disposal system and offering secretariat services to the Public Procurement Administrative Review Board.
- (c) Statutory Reports:** Majority of the PE's are not submitting statutory quarterly reports to the Authority. These reports are needed for monitoring, evaluating performance of the public procurement and asset disposal system, compliance with the Act and getting statistics and other information that goes into the reports by the Authority to Parliament and the Cabinet Secretary for the National Treasury.
- (d) Complaints Management:** delays by public entities to submit the required information and documents to the Authority has posed a challenge of meeting stakeholder expectations especially on timely resolution of complaints.
- (e) Access to IFMIS:** Currently the Authority is not in a position to monitor procurement transactions being done through the IFMIS procure to pay module. A number of PEs use the IFMIS platform while carrying out their procurement activities.

Measures put in place to address the Challenges

- i. The Authority wrote to the National Treasury to fast track the appointment of the Regulatory Board. In the meantime the Authority seeks guidance from National Treasury on issues that require Board approvals.
- ii. The Authority received approval from the National Treasury to fill vacant positions and is in the process of recruiting additional officers.
- iii. The Authority strengthened enforcement mechanisms and follow ups on the PEs that delay in submission of the required information and documents.
- iv. The Authority held discussions with National Treasury to grant it rights to access information regarding the tenders processed through IFMIS procure to pay module.
- v. The Authority partnered with the Performance Contracting Secretariat and provided for an evaluation indicator on submission of mandatory reports on the preference and reservation

scheme to the Authority, in the annual Performance Contracts executed by all MDAs.

7.2 Conclusion

From the activities implemented by the Authority over the period under review, it was noted that the average compliance level for the PEs assessed and reviewed was below the Authority's benchmark score of 60%. This was evidenced by failure to submit mandatory reports to the Authority, challenges in preparation and implementation of the procurement plans, poor management of procurement records and documents, failure to set up relevant institutional structures and non-compliance with the laid down procurement procedures and processes amongst others.

In addition, the Authority received many complaints on overdue payments to suppliers by PEs, which could negatively impact on the cost of doing business with the Government. This implied that there is a capacity gap amongst the persons involved in public procurement.

The Authority received a large number of enquiries on the interpretation of the Act. The PEs had challenges with the implementation of certain sections of the Act due to the absence of its Regulations.

There was an increase in the number of cases filed at the Review Board by the bidders aggrieved by the decisions made by the procuring entities. The increase could be due to the increased knowledge, confidence and effectiveness in the dispute resolution mechanism in public procurement.

Moving forward, the Authority would enhance the achievement of its mandate by embracing the use of information technology to interact with procuring entities and other stakeholders. To strengthen enforcement to reduce the level of non-compliance with the Procurement Law and develop tailor-made technical support programs focusing on key weaknesses identified in the report.

7.3 Recommendations

7.3.1 To National Government

- i. National Treasury to fast-track the appointment of the Regulatory Board in order to provide strategic direction to the Authority.
- ii. The National Treasury is to ensure that the Review Board is fully constituted to enhance its capacity to undertake its mandate effectively.
- iii. The National Government should adequately fund the Authority to comprehensively undertake its mandate.
- iv. The National Treasury should fast-track the gazettment of the regulations.

7.3.2 To Accounting Officers

The Accounting Officers should;

- i. Ensure compliance with the Act in their procurement and asset disposal operations.
- ii. Submit mandatory reports in the prescribed formats and avail relevant information and documents to the Authority upon request within the stipulated timelines.
- iii. Strengthen records and inventory management systems within their entities.
- iv. Continuously build capacity of their staff on the procurement law and other relevant areas.
- v. Ensure that the procurement and asset disposals processes are handled by procurement professionals.

7.3.4 To Suppliers and other Stakeholders

- i. Suppliers and other stakeholders should ensure that they provide all relevant information when lodging complaints to the Authority.
- ii. Suppliers and other stakeholders to provide feedback on matters that affect their participation in the public procurement and asset disposal system for the improvement of the system.
- iii. The suppliers should adhere to the ethical requirements under the Act and Regulations.

FINANCIAL STATEMENTS

CHAPTER

08



**ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH JUNE 2017**

*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 REGULATORY
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE 2017**

REPUBLIC OF KENYA

Telephone: +254-20-342330
 Fax: +254-20-311482
 E-mail: oag@oagkenya.go.ke
 Website: www.kenao.go.ke



P.O. Box 30084-00100
 NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON PUBLIC PROCUREMENT REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Public Procurement Regulatory Authority set out on pages 24 to 52, which comprise the statement of financial position as at 30 June 2017, 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 the Public Audit Act, 2015. I have obtained the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects the financial position of Public Procurement Regulatory Authority as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Procurement and Asset Disposal Act, 2015 of the Laws of Kenya.

In addition, as required by Article 229(6) of the Constitution, I confirm that public money has been applied lawfully and in an effective way.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Public Procurement Regulatory Authority in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no Key Audit Matters to communicate in my report.

Report of the Auditor-General on the Financial Statements of Public Procurement Regulatory Authority for the year ended 30 June 2017

Responsibilities of Management and those Charged With Governance 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 misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

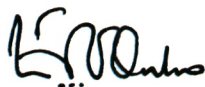
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the Authority's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Authority's or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

19 April 2018

Report of the Auditor-General on the Financial Statements of Public Procurement Regulatory Authority for the year ended 30 June 2017

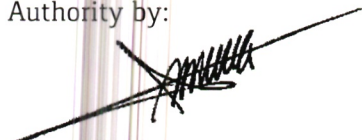
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2017

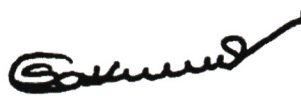
	Note	2017 KShs.	2016 KShs.
Revenue from Non-exchange Transactions			
Unconditional Government Grants	2	420,000,000	414,200,000
Revenue from Exchange Transactions			
Rendering of services	3	15,333,444	8,926,448
Finance Income	4	9,606,986	41,408,084
Other Income	5	1,596,312	836,301
Total Revenue from Exchange Transactions		26,536,742	51,170,833
Total Revenue		446,536,742	465,370,833
EXPENSES			
Employee Costs	6	201,660,329	170,049,631
Board Allowances & Expenses	7	43,859,069	31,157,324
General Expenses	8	47,438,863	49,763,926
Repairs and Maintenance	9	3,257,363	1,176,489
Contracted Services	10	42,034,880	8,760,927
Finance Costs	11	2,285,398	5,198,096
Depreciation and Amortization	12	20,242,487	21,421,460
Total Expenses		360,778,389	287,527,853
Surplus/(Deficit) for the Year		85,758,353	177,842,980

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017

	Note	2017 KShs.	2016 KShs.
ASSETS			
Current Assets			
Cash and Cash Equivalents	13	545,047,730	453,435,590
Receivables from Exchange Transactions	14	25,262,273	12,236,304
Receivables from Non-Exchange Transactions	15	3,163,899	880,005
Total Current Assets		573,473,902	466,551,899
Non-Current Assets			
Property, Plant and Equipment	16	31,618,125	38,877,468
Intangible Assets	17	2,563,770	1,812,552
Work In Progress	18	11,332,092	2,653,462
Total Non-Current Assets		45,513,987	43,343,482
Total Assets		618,987,889	509,895,381
LIABILITIES			
Current Liabilities			
Trade & Other Payables from Exchange Transactions	19	39,122,256	15,880,901
Provisions	20	765,600	672,800
		39,887,856	16,553,701
Net Assets			
Revaluation Reserve	21	0	1,231,673
Revenue Reserve	22	579,100,033	492,110,007
Total Net Assets and Liabilities		618,987,889	509,895,381

The financial statements and accompanying notes on page 24 to 52 were signed on behalf of the Authority by:


M.J.O Juma, MBS
Director General


C. Sakwa
Manager, Finance

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2017

	Revenue Reserve KShs.	Revaluation Reserve KShs.	Total KShs.
Balance as at 30/06/2016	311,025,483	4,473,217	315,498,700
Transfer to Revenue Reserve	3,241,544	(3,241,544)	0
Surplus for the year	177,842,980	0	177,842,980
Balance as at 30/06/2016	492,110,007	1,231,673	493,341,680
Transfer to Revenue Reserve	1,231,673	(1,231,673)	0
Surplus for the year	85,758,353	0	85,758,353
Balance as at 30/06/2017	579,100,033	0	579,100,033

STATEMENT OF CASH FLOWS

	Note	2017 KShs.	2016 KShs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Cash flows from Operating Activities	23	105,346,502	208,811,113
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Tangible Assets		(11,415,035)	(39,803,781)
Acquisition of Intangible Assets		(2,319,327)	(1,325,000)
Net cash flow from Investing Activities		(13,734,362)	(41,128,781)
Net changes in Cash and Cash Equivalents		91,612,140	167,682,332
Cash & Cash Equivalents opening balance		453,435,590	285,753,258
Cash & Cash Equivalents closing balance		545,047,730	453,435,590

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Revenue	Note	Budget KShs.	Actual on Comparable Basis (KShs.)	Performance Difference KShs.
Government Grants	2	420,000,000	420,000,000	0
Rendering of Services	3	7,000,000	15,333,444	8,333,444
Finance Income	4	20,500,000	9,606,986	10,893,014)
Other Income	5	0	1,596,312	1,596,312
Revenue Reserves		200,539,486	200,539,486	0
Total Revenue		648,039,486	647,076,228	(963,258)
Expenses				
Employee Costs	6	207,050,000	201,660,329	5,389,671
Board Allowances & Exp	7	64,168,286	43,859,069	20,309,217
General Expenses	8	118,321,200	47,438,863	70,882,337
Repairs and Maintenance	9	5,700,000	3,257,363	2,442,637
Contracted Services	10	76,500,000	42,034,880	34,465,120
Finance Costs	11	2,500,000	2,285,398	214,602
Depreciation and Amortization	12	23,000,000	20,242,487	2,757,513
Staff Loans Scheme		76,500,000	0	76,500,000
Purchase of Tangible Assets	16	68,500,000	11,415,035	57,084,965
Purchase of Intangible Assets	17	5,800,000	2,319,327	3,480,673
Total Expenses		648,039,486	374,512,751	273,526,735
Difference for the Year		0	272,563,477	

Notes explaining variance

- More cases were filed than anticipated leading to higher revenue.
- Shortfall attributed to National Treasury circular on investment in commercial banks.
- Factored in employee costs was KShs. 76.5 million for roll out of the staff loan scheme. The scheme was not rolled out during the financial year.
- Some of the Review Board's planned activities like benchmarking and training were put on hold due to the high number of cases the Board had to handle. PPRA also anticipated appointment of a Regulatory Board and made budget provision to fund its activities. A Regulatory Board was not appointed during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

- e. Unutilized amount is for a number of activities which had either been put on hold as they needed Board approval or ongoing activities whose expenditure had not been actualized.
- f. A number of consultancies planned for implementation during the year were not actualized for various reasons.
- g. Establishment of two Regional Offices was initiated but was still at initial stages by end of the financial year

1. GENERAL INFORMATION

Public Procurement Regulatory Authority is established by and derives its authority and accountability from The Public Procurement and Asset Disposal Act, 2015. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is among other functions to monitor, assess and review the public procurement and asset disposal system to ensure they respect the National values and other provisions including Article 227 of the constitution on public procurement

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented. 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.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. *Relevant new standards and amendments to published standards effective for the year ended 30 June 2017*

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	PPRA adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.
IPSAS 34: Separate Financial Statements	PPRA does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
IPSAS 35: Consolidated Financial Statements	The Authority does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.

NOTES TO THE FINANCIAL STATEMENTS

Standard	Impact
IPSAS 36: Investments in Associates and Joint Ventures	PPRA does not have investments in associates or joint ventures.
IPSAS 37: Joint Arrangements	The entity does not have an interest in a joint arrangement and therefore the standard does not apply.
IPSAS 38: Disclosure of Interests in Other Entities	The entity does not have an interest in other entities and therefore the standard does not apply.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective Date and Impact
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. Early Adoption of Standards

The Authority did not early - adopt any new or amended standards in year 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue Recognition

i) Revenue from Non-exchange Transactions

Fees, Taxes and Fines

The Authority recognizes revenues from fees, taxes and fines when the event occurs and the

NOTES TO THE FINANCIAL STATEMENTS

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

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.

ii) Revenue from exchange transactions

Rendering of Services

The Authority 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.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

Interest Income

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

NOTES TO THE FINANCIAL STATEMENTS**b) Budget Information**

The original budget for FY 2016-2017 was approved by the management of the Authority on 31st August 2016. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c) Taxes**Current Income Tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its

NOTES TO THE FINANCIAL STATEMENTS

cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

NOTES TO THE FINANCIAL STATEMENTS**g) 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%

h) Financial Instruments***Financial Assets******Initial Recognition and Measurement***

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-Maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS

Impairment of Financial Assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and Borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

Raw materials: purchase cost using the weighted average cost method

Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Provisions

Provisions are recognized when the Entity 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.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent Liabilities

The Entity 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

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose

NOTES TO THE FINANCIAL STATEMENTS

existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity 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.

k) Nature and Purpose of Reserves

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

l) 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.

m) Employee Benefits***Retirement Benefit Plans***

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

n) 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

NOTES TO THE FINANCIAL STATEMENTS

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.

o) Borrowing Costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related Parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa.

q) Service Concession Arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

r) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS**s) Comparative Figures**

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful Lives and Residual Values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

t) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

u) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

6. Unconditional Government Grants

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

	2017 KShs.	2016 KShs.
Exchequer Funding	420,000,000	414,200,000

7. Rendering Services

Appeals fee: Relates to fees paid by parties seeking administrative review of public procurement disputes.

	2017 KShs.	2016 KShs.
Appeals Fee	15,333,444	8,926,448

8. Finance Income

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

	2017 KShs.	2016 KShs.
Gross Interest Income	9,606,986	41,408,084
Total	9,606,986	41,408,084

NOTES TO THE FINANCIAL STATEMENTS

9. Other Income

This includes income from the sources listed below:

	2017 KShs.	2016 KShs.
Disposal Income	1,596,312	835,301
Other Income	0	1,000
Total	1,596,312	836,301

Disposal income includes KShs. 4,020 from disposal of waste paper and gain on disposal of motor vehicle KShs. 1,592,292.

10. 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:

	2017 KShs.	2016 KShs.
Salaries and Wages	92,900,999	80,070,165
Contributions to Pensions	17,450,821	15,029,726
Housing Benefits & Allowances	44,383,769	39,573,953
Medical & Personal Accident	13,745,790	6,306,009
Club Membership	411,920	294,500
Car Park	5,902,080	4,844,160
Staff Recruitment and Induction	123,334	97,336
Staff Welfare	1,052,838	1,934,882
Training	4,298,650	4,947,809
Travel, Accommodation & Subsistence	21,390,128	16,951,091
Total	201,660,329	170,049,631

NOTES TO THE FINANCIAL STATEMENTS

11. Board Expenses

This comprises of all costs related to the Boards.

	2017 KShs.	2016 KShs.
Administrative Review Board expenses	10,986,749	5,329,913
Administrative Review Board Emoluments	31,536,000	19,378,880
Car park expenses	1,336,320	2,394,240
Advisory Board expenses	0	1,181,942
Advisory Board Emoluments	0	2,872,349
Total	43,859,069	31,157,324

12. General Expenses

Below are the general expenses of the Authority.

Description	2017 KShs.	2016 KShs.
Advertising	2,785,400	4,774,762
Branding PPOA	165,460	379,600
Car Park Expenses	445,440	445,440
Catering	1,726,382	1,185,061
Conference and Delegations	2,189,550	7,861,915
Consumables	162,276	158,000
Corporate Social Responsibility	0	2,377,500
Fuel and Oil	1,078,076	1,090,730
Insurance Costs	3,206,891	2,674,758
ISO	255,200	456,600
Legal Expenses	1,012,851	154,412
Newspapers/Journals	436,554	196,028
Office Expenses	2,115,759	1,757,113
Printing & Stationery	2,183,930	598,945
Rental	18,665,592	15,499,920
Software Upgrades and Licences	334,948	133,000
Telecommunication	5,000,535	4,594,775
Trade Shows and Exhibitions	408,948	938,742
Travel Costs	5,265,071	4,486,625
Total	47,438,863	49,763,926



NOTES TO THE FINANCIAL STATEMENTS

13. Repairs and Maintenance

The Authority spent KShs. 3,257,363 on maintenance of vehicles, equipment, computers and general maintenance. A breakdown of the expenditure is shown below:

	2017 KShs.	2016 KShs.
Vehicles	812,655	369,018
Equipment	2,004,990	762,588
Property	439,718	44,883
Total	3,257,363	1,176,489

14. Contracted Services

These are services outsourced by the Authority.

	2017 KShs.	2016 KShs.
Audit fees	858,400	672,800
Cleaning Services Fees	1,527,344	1,808,176
Security Costs	2,389,396	2,010,151
Consultancy Fees	37,259,740	4,269,800
Total	42,034,880	8,760,927

15. Finance Costs

	2017 KShs.	2016 KShs.
Withholding Tax on Interest Income	2,035,456	4,953,664
Bank charges	249,942	244,432
Total	2,285,398	5,198,096

16. Depreciation and Amortization

	2017 KShs.	2016 KShs.
Property and equipment	18,674,378	20,630,806
Intangible assets	1,568,109	790,654
Total	20,242,487	21,421,460

NOTES TO THE FINANCIAL STATEMENTS**17. Cash and Cash Equivalents**

	2017 KShs.	2016 KShs.
Bank	545,047,730	53,434,434
Cash on hand and in transit	0	1,156
Short-term deposits	0	400,000,000
Total	545,047,730	453,435,590

18. Receivables from Exchange Transactions

	2017 KShs.	2016 KShs.
Prepaid Car Park	9,771,840	0
Contracted Services	4,034,470	0
Prepaid Insurance	8,999,763	7,463,487
Accrued Interest Income	0	353,972
Guarding & Receptionist Services	0	9,048
Air Ticketing Services	0	39,411
Prepaid Fuel	0	183,883
Employee Costs	2,092,200	3,822,503
Rent Deposit - Mombasa Office	364,000	364,000
Total	25,262,273	12,236,304

19. Receivables from Non-Exchange Transactions

	2017 KShs.	2016 KShs.
Imprest Advance	2,237,228	497,500
Salary Advance	926,671	382,505
Total	3,163,899	880,005

NOTES TO THE FINANCIAL STATEMENTS

20. Property, Plant & Equipment

The Authority maintains an asset register. The assets are depreciated on a straight line basis for the various categories of assets as follows:

Motor Vehicles	25.0%
Equipment and Computers	3.3%
Furniture and Fittings	12.5%
Office Partitions	12.5%

	Motor Vehicles KShs.	Equipment & Computers KShs.	Furniture & Fittings KShs.	Office Partitions KShs.	Total KShs.
Cost					
As at 1st July 2015	32,061,347	43,233,930	11,565,908	43,687,525	130,548,710
Additions	35,979,966	695,380	1,657,469	1,470,966	39,803,781
As at 30th June 2016	68,041,313	43,929,310	13,223,377	45,158,491	170,352,491
Additions	0	8,994,458	2,420,577	0	11,415,035
As at 30th June 2017	68,041,313	52,923,768	15,643,954	45,158,491	181,767,526
Depreciation & Impairment					
As at 1st July 2015	25,260,566	36,394,761	7,687,019	39,842,972	109,185,318
Depreciation	11,498,416	2,730,211	1,500,466	4,901,713	20,630,806
Impairment	1,658,899	0	0	0	1,658,899
As at 30th June 2016	38,417,881	39,124,972	9,187,485	44,744,685	131,475,023
Depreciation	11,229,019	5,810,591	1,565,800	68,968	18,674,378
As at 30th June 2017	49,646,900	44,935,563	10,753,285	44,813,653	150,149,401
Net book values					
As at 30th June 2017	18,394,413	7,988,205	4,890,669	344,838	31,618,125
As at 30th June 2016	29,623,432	4,804,338	4,035,892	413,806	38,877,468

NOTES TO THE FINANCIAL STATEMENTS**21. Intangible Assets**

Intangible assets comprises ICT Systems and software used by the Authority in its operations. The Assets are depreciated as and when they are available for use by the Authority at the rate of 33.3%.

	KShs.
Cost	
At 1 st July 2015	33,155,513
Additions	1,325,000
As at 30th June 2016	34,480,513
Additions	2,319,327
As at 30th June 2017	36,799,840
Amortization and Impairment	
At 1 st July 2015	31,877,307
Amortization	790,654
As at 30th June 2016	32,667,961
Amortization	1,568,109
As at 30th June 2017	34,236,070
Net book values	
As at 30th June 2017	2,563,770
As at 30th June 2016	1,812,552

22. Work In Progress

Implementation of the Human Resource Information System and Microsoft Navision 2015 was ongoing. The contractors had been paid 20% and 90% of the contract sum as at 30.06.2017. The intangible assets will be recognized once the projects are completed, commissioned and handed over to the Authority.

Details	2017 KShs.	2016 KShs.
Navision Upgrade to 2015	5,760,432	1,728,130
Fleet Management System	945,000	0
HRMIS - Netcom Information System	4,626,660	925,332
Balance as at 30th June 2016	11,332,092	2,653,462

NOTES TO THE FINANCIAL STATEMENTS**23. Trade & Other Payables from Exchange Transactions**

	2017 KShs.	2016 KShs.
Trade Payables	38,940,224	15,596,105
Other Payables	182,032	284,796
Total	37,817,589	15,880,901

24. Provisions

Provision made to cater for audit of FY 2016/17 books of accounts payable in FY 2017/18 after the actual is concluded.

	2017 KShs.	2016 KShs.
Audit fees	765,600	672,800
Total	765,600	672,800

25. Revaluation Reserve

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

	2017 KShs.	2016 KShs.
Balance as at 1 st July	1,231,673	4,473,217
Transfer to revenue reserve	(1,231,673)	(3,241,544)
Balance as at 30th June	0	1,231,673

NOTES TO THE FINANCIAL STATEMENTS

26. Accumulated Fund

The movement in revenue reserves for the year ended 30th June 2017 is shown below:

	2017 KShs.	2016 KShs.
Balance as at 1 st July	492,110,007	311,025,483
Transfer from Revaluation Reserve	1,231,673	3,241,544
Reversal of Provision	0	0
Surplus for the Year	85,758,353	177,842,980
Balance as at 30th June	579,100,033	492,110,007

27. Cash generated from operations

A computation of the net cash flows generated from operating activities during the year under review of KShs. is as below:

	2017 KShs.	2016 KShs.
Surplus / Deficit for the year	85,758,353	177,842,980
Adjusted for:		
Depreciation	18,674,378	20,630,806
Amortization of Intangible Assets	1,568,109	790,654
Revaluation Reserve Conversion on Disposal	0	1,658,899
Cash Flows from Operating Activities before Working Capital Changes	106,000,840	200,923,339
Working Capital Changes		
Increase/(Decrease) in Trade and other Payables	23,241,355	(3,544,125)
Decrease/(Increase) in Receivables and Prepayments	(15,309,863)	14,085,361
Decrease/(Increase) in Work In Progress	(8,678,630)	(2,653,462)
Increase/(Decrease) in Provisions	92,800	0
Net Cash flows from Operating Activities	105,346,502	208,811,113

28. Financial Risk Management

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks. The overall risk management programme focuses on unpredictability of changes in the business

NOTES TO THE FINANCIAL STATEMENTS

29. Contingent Assets

The Authority had no contingent assets as at 30th June 2017.

30. Contingent Liabilities

Litigation Matters: As at 30th June 2017, 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.

31. 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.

32. Operating Lease Rentals

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

Lease with National Bank of Kenya:

Period	2017	2016
Not later than 1 year	16,208,448	16,208,448
Later than 1 year and not later than 5 years	16,208,448	32,416,896
Later than 5 years	0	0
Total	32,416,896	48,625,344

Lease with Mombasa Trade Centre:

Period	2017	2016
Not later than 1 year	1,520,064	1,310,400
Later than 1 year and not later than 5 years	3,648,154	5,168,218
Later than 5 years	0	0
Total	5,168,218	6,478,618

NOTES TO THE FINANCIAL STATEMENTS**33. Currency**

The financial statements are presented in Kenya Shillings (KShs).

34. Progress on Follow Up of Auditor Recommendations

There were no audit queries arising from audit of FY 2015/2016 financial statements.

Ref No. on the External Audit Report	Issue / Observations from Auditor	Management comments	Focal Point Person to Resolve the issue (Name and Designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a Date when you expect the issue to be Resolved)
FY 2015/16 Audit Report	None	N/A	N/A	N/A	N/A

APPENDIX 1: INTER-ENTITY TRANSFERS

ENTITY NAME: PUBLIC PROCUREMENT REGULATORY AUTHORITY

Breakdown of Transfers from The National Treasury

FY 2016/17

a

Recurrent Grants

	Bank Statement Date	Amount KShs.	FY to which Amount Relates
Quarter 1 Exchequer	24.08.2016	90,000,000	FY 2016/17
Quarter 2 Exchequer	14.11.2016	90,000,000	FY 2016/17
Quarter 3 Exchequer	30.03.2017	90,000,000	FY 2016/17
Quarter 4 Exchequer	24.05.2017	90,000,000	FY 2016/17
Total		360,000,000	

b

Development Grants

Quarter 1 Exchequer	22.11.2016	30,000,000	FY 2016/17
Quarter 3 Exchequer	23.03.2017	15,000,000	FY 2016/17
Quarter 3 Exchequer	26.04.2017	15,000,000	FY 2016/17
Total		60,000,000	

c

Direct Payments -Refund of salary for staff on secondment to IFMIS

Refund	12.07.2016	2,636,303.00	FY 2015/16
Refund	29.11.2016	2,372,400.00	FY 2015/16 KShs. 1,186,199.60
Refund	30.03.2017	1,959,652.60	FY 2016/17 KShs. 1,186,200.40
Total		6,968,355.60	FY 2016/17

The above amounts have been communicated to and reconciled with The National Treasury (Parent Ministry)

C. Sakwa
Manager, Finance

ANNEX 1: PEs APPEARANCES BEFORE THE REVIEW BOARD DURING 2016/2017 FINANCIAL YEAR

S/No.	Procuring Entity	Frequency
1.	Kenya Medical Supplies Authority (KEMSA)	9
2.	Kenya Airports Authority	8
3.	Independent Electoral and Boundaries Commission (I.E.B.C)	6
4.	Ministry of Transport, Infrastructure, Housing & Urban Development	6
5.	Kenya Ports Authority	5
6.	Ministry of Defence	5
7.	Kenya National Highway Authority (KeNHA)	4
8.	Kenya Power & Lighting Co. Ltd	4
9.	Kenya National Bureau of Statistics	3
10.	Kenya Railways Corporation	3
11.	Kenyatta National Hospital	3
12.	National Museums of Kenya	3
13.	Northern Water Services Board	3
14.	Athi Water Services Board	2
15.	County Government of Kisumu	2
16.	Geothermal Development Co. Ltd (GDC)	2
17.	Jomo Kenyatta Foundation Educational Publishers	2
18.	Kenya Forest Service	2
19.	Kenya Literature Bureau	2
20.	Kenya Marine & Fisheries Research Institute (KMFRI)	2

S/No.	Procuring Entity	Frequency
21.	Kenya Pipeline Company Ltd	2
22.	Kenya Utalii College	2
23.	Masinde Muliro University Science & Technology	2
24.	Ministry of Agriculture, livestock & Fisheries	2
25.	Ministry of Devolution & Planning, State Department of Devolution	2
26.	National Government Constituencies Development Fund (NG-CDF) - Emgwen Constituency	2
27.	Teachers Service Commission	2
28.	The Judiciary	2
29.	The National Treasury	2
30.	Tourism Finance Corporation	2
31.	Central Bank Of Kenya	1
32.	Chuka University	1
33.	County Government of Lamu	1
34.	Dedan Kimathi University of Technology	1
35.	Industrial & Commercial Development Corporation	1
36.	Kajiado County Assembly	1
37.	Kakamega County Water & Sanitation Co. Limited	1
38.	Kenya Ferry Services	1
39.	Kenya Local Organising Committee - IAAF world U-18 Championship 2017	1
40.	Kenya Maritime Authority	1
41.	Kenya National Examinations Council	1
42.	Kenya Police Service	1
43.	Kenya Rural Roads Authority (KeRRA)	1
44.	Kenya Vision 2030 Delivery Secretariat	1
45.	Kenya Wildlife Services	1
46.	Kenyatta International Convention Centre (KICC)	1
47.	Kenyatta University	1
48.	Ministry of Foreign Affairs	1

S/No.	Procuring Entity	Frequency
49.	Ministry of Mining	1
50.	Moi Teaching & Referral Hospital	1
51.	Moi University	1
52.	Ndivisi Girls Secondary School	1
53.	Parliamentary Service Commission	1
54.	Rongo University	1
55.	Siaya County Assembly	1
56.	Technical University of Mombasa	1
57.	Thika Water & Sewerage Company Ltd	1
58.	University of Kabianga	1
	Total	124