

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Laid on 01/03/2016
BY Hon ADAM DUKE,
EGH, MP UNDER
ORDER NO- 05
JBM*

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REPORT

OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE 2015**



PUBLIC PROCUREMENT OVERSIGHT AUTHORITY
Transforming Procurement

KENYA NATIONAL AUDIT OFFICE
P. O. Box 30084 - 00100, NAIROBI

14 JAN 2016

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

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

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KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

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

b) Principal Activities

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

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

c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and had direct fiduciary responsibility were:

M.J.O Juma, MBS	Director General
Jane W. Njoroge (Mrs)	General Manager, Technical Services
Rose M. Nyamweya (Mrs)	General Manager, Finance & Administration
Lucy J. Barno (Ms)	Manager, Corporate Services
Chris Sakwa	Manager, Finance

e) Entity Headquarters

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

f) Entity Contacts

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

g) Entity Bankers

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

h) Independent Auditors

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

i) Principal Legal Adviser

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

THE BOARDS OF DIRECTORS

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

PUBLIC PROCUREMENT OVERSIGHT ADVISORY BOARD



Patrick Mtange (55 years): Chairperson

Mr Mtange has vast experience in finance and accounting in both the public, private and non Governmental organization sectors for 29 years. He is currently the Finance and Administration Manager - Diakonia Sweden, Africa Region. He has previously worked in the private sector (banking – Barclays Bank), public sector (Civil service – Ministry of Tourism and Wildlife and State Corporation – Kenya Wildlife Service) and the Non Governmental Organization sector.

He also has Board governance experience in the private sector (he is the immediate former Chairman of Institute of Certified Public Accountants of Kenya - ICPAK and immediate past member of the Pan African Federation of Accountants Board -PAFA), in the private sector (academia – KCA-University and Daystar University) and in the public sector (state Corporation - PPOA)

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



Martha K. Mugambi (73 years): Vice-Chairperson

Martha Mugambi has held various leadership positions for over 25 years. She was a long serving staff of the Standard Chartered Bank PLC and employee of the Ministry of Community Development and Social Services. She is the Chair of the following bodies: Kenya National Chamber of Commerce (Women in Business Committee Board); Board of Governors of the Meru College of Science and Technology and Business; Professional Women's Club, Nairobi and Kahawa Maximum Prison

Juvenile Rehabilitation Program. She is also a Trustee for the following: PPOA Staff Pension Fund; Regina Pacis University College and Ameru Professional Association. *She is the founder* and Director of International Development Centre for Africa and was also a member of the Standing Committee on Human Rights, Kenya

Martha is a trained Social Worker from the Institute of Social Studies in Oudenbosch Holland {1962-65} and a trained Teacher from Igoji Teacher Training College, Meru.



Eng Reuben K Kosgei (66 years)

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

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

Eng. Kosgei holds a BSc (Mechanical Engineering) from the University of Nairobi and a Postgraduate Diploma in Environmental Engineering and Design from Polytechnic of the South Bank, London.



Faith N Kimani (49 years)

Faith Kimani has 26 years of experience gained from the private sector and is a registered quantity surveyor currently working for Barker and Barton (Kenya) as a senior project quantity surveyor. She previously worked for Miguna Consultants as a Quantity Surveyor and associate director. She is a member of the Architectural Association of Kenya and is a council member of the Quantity Surveyor's chapter.

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



Fred Odhiambo (52 years)

Fred Odhiambo has 27 years work experience in various positions held both in the private and public sector. He is currently the Group Sales and Marketing Director at Riley Security Group. He has previously served as CEO of Postal Corporation of Kenya; Head of Marketing, Barclays Bank and Regional Marketing Manager, Standard Chartered Bank.

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



Joyce Muthoni Njogu (39 years)

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

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



Livingstone Bumbe (49 years)

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

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



Lawrence M. Ngugi (44 years)

Mr. Lawrence Ngugi is the Alternate to the Attorney General in the Board. He is an advocate of the High Court of Kenya with 14 years practice in various fields of law. He is currently the Ag. Registrar, Nairobi Centre for International Arbitration and a Senior Principal Litigation Counsel (Head of Commercial and Arbitration Division of the Civil Litigation Department) at the Attorney General's

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

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



Ms. Ruth Theddesia Ngobi (55 years)

Ms. Ruth Ngobi is an Advocate of the High Court of Kenya of 30 years standing and Certified Public Secretary. She worked with Unilever Kenya Limited for 15 years as Company Secretary and Legal Counsel before joining British American Tobacco Kenya Ltd in 2002 as Company Secretary and Area Legal Counsel. In 2010, she founded Cosec Solutions which provides company secretarial services and corporate governance solutions to various companies.

Ms. Ngobi holds a Bachelor of Laws Degree from University of Kent at Canterbury UK and a Masters of Law from the University of Cambridge UK. She is a Non-Executive Director on the Boards of CFC Stanbic Bank Limited and CFC Stanbic Holdings Limited.



Maurice J.O Juma, MBS – Director General, PPOA

MrJuma is the Director General of PPOA and Secretary to the PPOAB. He has 26 years experience in procurement and supplies management during which he has headed various procurement units and Departments in the public sector.

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

PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW BOARD



Mr. Paul Gicheru (42 years): Chairperson

Mr P. Gicheru has been an advocate of the High Court of Kenya for 17 years. He is also a Commissioner of Oaths and a Notary Public. He is the proprietor of M/s Gicheru and Company Advocates and was an Associate of M/s Kalya and Company Advocates.

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



Mr. Nelson Kiprono Orgut (65 years)

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 Bitá Ondieki, MBS (63 years)

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

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



Mr. Paul Ngotho (54 years):

Paul Ngotho is the proprietor of Ngotho Property Consultants Ltd. He is an Arbitrator, Adjudicator, Property Valuer & Estate Agent. He has previously worked at Stapleton Long, Chartered Surveyors, London where he held the position of Valuation Surveyor and Property Manager; and as the Property Manager at Arab Investments Ltd, London.

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

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



Eng. Weche Raphael Okubo, OGW (60 years):

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

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



Mrs. Josephine W. Mong'are (48 years):

Mrs. Josephine W. Mong'are is an advocate of the High Court of Kenya with 24 years post admission qualifications. She is currently in private practice (M/s Wambua, Mbindyo & Makau Advocates). She has previously worked with the Anti Corruption Commission (Now EACC) and has also served in various Boards including: Nairobi Water and Sewerage Company, the National Council for Administration of Justice (NCAJ), Law Society of Kenya (LSK-CCLE) and Federation of Women Lawyers (FIDA- Kenya).

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



Mr. Hussein Were (51 years):

Hussein Were has 25 years experience in quantity surveying and project management. He also has 7 years experience in the field of governance and forensic investigation. Mr. Were is the Honorary Treasurer and member of Governing Council of the Architectural Association of Kenya; as well as Principal Partner and founder of Fanisi Consultants, a quantity surveying and project management firm.

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



Mrs Gilda A. Odera (49 years)

Mrs Gilda Odera has 25 years work experience 11years of which were in the Marketing Services sector and 14 years in the ICT sector. She is an entrepreneur who founded and runs Skyweb Technologies Ltd and Skyweb-Evans Company Ltd as Managing Director. Gilda is a leading pioneer in the Business Process Outsourcing industry and is currently providing advisory services on the same.

She serves and has served in several boards in various capacities including Board Member NHIF where she is the Chairman of the Executive Committee, Board Member Federation of Kenya Employers, Council Member Kirinyaga University College, Vice Chair ICT Sector Board KEPSA, Board Member TESPOK, Chairman Kenya Business Process Outsourcing Association, Chairman IT Enabled Services Advisory Group,

Board Member Computer Society of Kenya, Council Member Marketing Society of Kenya, President Rotary Club of Milimani.

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



Mrs Rosemary KinanuGituma (53 years):

Rosemary Gituma has over 19 years top management experience in accounting & financial management, administration, supply chain, strategy, governance and internal audit in both public and private sectors. Since 2000 to date she has been working with EAPCC LTD in various capacities as Internal Audit Manager, Finance Manager, Ag Head of Financial Management, Board Director-EAPCC Uganda and Trustee & Trust Secretary- EAPCC Staff Retirement Benefits Scheme.

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

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

MANAGEMENT TEAM



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



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



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



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



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



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



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



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



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



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



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



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

STATEMENT BY THE CHAIRMAN ADVISORY BOARD

The past year PPOA recorded good performance towards achieving its mandate, due to a consistent strategy, a committed Oversight Board; management and staff team, and above all a supportive National Treasury. The Board is confident that for the coming year, PPOA strategy will continue to drive increased efficiency in the public procurement and disposal system and contribute to social economic benefits for citizens.

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

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

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

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

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

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

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

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

We look to the future with confidence.



CPA Patrick Mtange, FCPAK.
Chairman, PPOAB

DIRECTOR GENERAL'S STATEMENT

Public procurement is the vehicle through which most government projects are implemented. Procurement spend constitutes about 45% of the budgets of Ministries, Departments and Agencies (MDA's). PPOA is one of the Public Financial Management (PFM) oversight institutions that play a critical role in ensuring efficiency, effectiveness, transparency and accountability in the use of public finances. Towards this end, PPOA monitors implementation of the public procurement system to ensure compliance with the public procurement law and regulations so as to achieve the following objectives: maximize economy and efficiency; promote competition and ensure that competitors are treated fairly; promote the integrity and fairness of procurement and disposal procedures; increase transparency and accountability in those procedures; increase public confidence in those procedures; and facilitate the promotion of local industry and economic development.

In financial year 2014/2015, good progress was made towards achievement of the above objectives. Highlights of key achievements are highlighted hereunder.

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

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

Administrative Review: The administrative review is an alternative dispute resolution mechanism for public procurement disputes. In the year under review, the Administrative Review Board (ARB) heard and determined sixty three (63) cases lodged before it during the period with majority of the cases (39 representing 62%) lodged in quarters 2 and 3. Out of these; 23 cases were successful, 31 cases were unsuccessful while 9 cases were withdrawn. The average duration for finalizing cases was 22 days against the statutory timeframe of 30 days.

A decision digest of the ARB decisions for the period 2005 – 2007 has been published and digitized. The development of other volumes of the decision digest covering the periods 2008 – 2010 and 2011 – 2013 is ongoing.

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

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

Overall compliance to the PPDA 2005 and regulations has significantly improved but a lot more still needs to be done to ensure full compliance. The Authority continues to design innovative ways of improving the compliance levels. These include; partnering with the National Treasury in implementation of e-procurement, collaboration with GIZ in developing an Internal Public Procurement Monitoring Tool and the customization of the monitoring strategy of the Procurement & Disposal situation using OECD-DAC maps.


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

Institutional capacity

PPOA appreciates that in order to effectively and efficiently discharge its mandate it needs excellent people, excellent systems, excellent processes and excellent technologies. It is out of this realization and the fact that the Authority is a young institution having been established on 1st January 2007, that over the last three years it has been investing in building its institutional capacity both in terms of the human capital and technological systems. The Authority has invested heavily in staff training to equip staff with requisite skills and competencies; infrastructure especially systems; collaborations and partnerships with other government institutions both within and outside our borders, implementing ISO 9001:2008 Quality Management System, institutionalizing risk management and strengthening corporate governance among other initiatives.

APPRECIATION

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



M.J.O JUMA, MBS
DIRECTOR GENERAL

CORPORATE GOVERNANCE STATEMENT

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

Public Procurement Oversight Advisory Board (PPOAB)

The functions of the PPOAB are:

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

Board Committees

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

Audit, Risk and Governance Committee

The terms of reference of the Authority's Audit, Risk and Governance Committee are drawn from the Treasury Circular No 16/2005 of 4th October 2005. The purpose of the Audit Committee is to support the Authority to enhance oversight over governance, internal controls and risk management in service delivery. The membership comprises of non-executive board members including a representative of the Permanent Secretary, Treasury. A Chairperson is elected by members of the committee by majority vote. The manager of Internal Audit or his/her representatives provides the Audit Committee with a secretariat while the manager of finance, procurement and internal audit form part of the technical team to guide the committee but shall have no voting power. Other technical team representatives are co-opted as and when required.

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

- i) Evaluate adequacy of management procedures with regard to issues relating to risk management, control and governance
- ii) Review and approving the audit charter and the internal audit annual work plans

- iii) Review the internal and external audit findings and recommendations and proposing corrective and preventive action where necessary.
- iv) Review the systems established to ensure sound financial management and internal controls, as well as compliance with policies, laws, regulations, procedures, plans and ethics.
- v) Initiate special audit/ investigation on any allegations, concerns and complaints regarding corruption, lack of accountability and transparency in consultation with the Director-General.

Finance & Administration Committee

This Committee deliberates on Human Resource, Financial, Budgetary and Administrative issues of the Authority. The Committee maximum membership is five members. Its responsibilities include:

- (i) To ensure prudent financial management and compliance to statutory financial regulations.
- (ii) To provide a general overview to the Authority on the achievement of Procurement plans.
- (iii) To monitor the Management's strategy toward ensuring efficiency and integrity of the Authority's procurement systems.
- (iv) Ensuring that the Authority upholds Government policy on performance contracting in the Public Sector and other statutory obligations.
- (v) To ensure that the Authority has optimum and well trained and motivated human resource capacity to deliver its mandate.
- (vi) To ensure effective operation of the Administrative Review Board Secretariat.
- (vii) To advise on strategies on how the Authority can relate with the key stakeholders appropriate to the committee.
- (viii) To advise on human resource policy consistent with the changing needs of the Authority.
- (ix) To advise on office facilities and acquisition and maintenance of new assets of the Authority.
- (x) Provide oversight role over the implementation of the strategic plan
- (xi) Reviewing the management of the Pension Scheme on behalf of the Board to ensure that the obligations of the Authority are discharged.
- (xii) To deliberate and make recommendations to the Advisory Board on all matters relating to the welfare of the members of Administrative Review Board and Advisory Board.

Capacity Building and Communication Committee

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

Its responsibilities include:

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

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

Reports and minutes are made available to the Director General following the Committee's meeting, clearly indicating its findings, conclusions and recommended plan of action

A register is maintained by the secretariat on all external and internal findings/ recommendations deliberated upon by the committee for follow up.

Compliance Committee

The Committee:

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

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

chairperson of the committee or any other member of the committee designated by the committee to make the report.

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

The PPOAB Board Secretary provides administrative support to the operations of the Board and convenes Board meetings as directed by the Chairman of the Board. The Board Secretary provided advice on corporate governance principles and plans and also on the implementation of corporate governance programs such as risk management and performance assessment.

Mwongozo Code of Governance for State Corporations

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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



Beyond Zero Marathon participants

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

REPORT OF THE BOARD

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

Principal Activities

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

Results

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

Members of the Board

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

Auditor

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



CPA Patrick Mtange, FCPAK.
Chairman, PPOAB

STATEMENT OF MANAGEMENT RESPONSIBILITY

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

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


The Management is responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of PPOA; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Management accepts responsibility for the Authority's financial statements, which have been prepared using appropriate policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards and in the manner required by the PFM Act and the Public Audit Act, 2003. The Management is of the opinion that the financial statements give a true and fair view of the state of the financial position of the Authority and of its operating results as at 30th June 2014. The Management further confirms the completeness of the accounting records maintained, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

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



M.J.O JUMA, MBS
DIRECTOR GENERAL



OFFICE OF THE AUDITOR-GENERAL

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

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Public Procurement Oversight Authority set out on pages 29 to 49, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) and (3) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

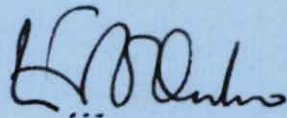
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Procurement and Disposal Act, 2005.



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

Nairobi

17 February 2016


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

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


**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2015**

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

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


CPA Patrick Mtange, FCPAK.
Chairperson PPOAB

Date: 23.09.2015


M.J.O Juma, MBS
Director General

Date: 23.09.2015

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

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

STATEMENT OF CASH FLOWS

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

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

(a) Basis of Preparation

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

(b) Reporting Currency

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

(c) Foreign Currency Transactions

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

(d) Revenue Recognition

i. Revenue from non-exchange transactions

a) *Transfers from other government entities*

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

b) Grants from Donors

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

ii. Revenue from exchange transactions

Rendering of services

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

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

Interest income

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

(e) Budget Information

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

(f) Employee Benefits

i. Retirement Benefit Plans

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

ii. Employee Entitlements

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

(g) Property and Equipment

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

(h) Depreciation

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

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

(i) Cash and Cash Equivalents

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

(j) Other Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

(k) Liabilities

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

(l) Provisions

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

Contingent liabilities

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

Contingent assets

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

(m) Nature and purpose of reserves

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

(n) Changes in accounting policies and estimates

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

(o) Taxation

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

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

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

(q) Consumable Stores

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

(r) Comparative figures

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

(s) Subsequent Events

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

2. Unconditional Government Grants

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

Unconditional Government Grants

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

3. Rendering Services

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

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

4. Finance Income – External Investments

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

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

5. Other Income

This includes income from the sources listed below

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Employee Costs

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

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

7. Board allowances and expenses

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

8. General Expenses

Below are the general expenses of the Authority

Description	2015 Ksh	2014 Ksh
Advertising	9,483,015	8,558,536
Audit fees	765,600	580,000
Bank charges	207,452	155,345
Branding PPOA	1,240,000	504,469
Car park expenses	445,440	403,680
Catering	2,171,845	0
Cleaning Services Fees	1,756,820	2,241,004
Conference and delegations	6,040,409	11,029,988
Consulting Fees	17,074,199	11,076,769
Consumables	587,997	165,400
Corporate Social Responsibility	591,493	776,643
Corruption Prevention & Awareness	23,200	0
East Africa Procurement Forum	27,553,875	1,088,321
Fuel and Oil	1,331,620	1,560,647
Hire Fees	0	9,800
Insurance Costs	3,033,617	2,984,092
ISO	11,600	0
Legal expenses	128,630	172,955
Medical & Personal Accident	12,545,941	13,948,346
Newspapers/Journals	226,340	36,120
Other Operating costs	1,505,908	1,461,346
Printing & stationery	1,766,252	1,250,884
Rental	9,841,440	8,696,080
Security Costs	2,340,874	1,144,661
Software upgrades and licences	3,135,410	1,494,499
Staff recruitment and induction	247,780	267,715
Staff uniform	265,197	0
Strategic Plan	90,000	0

Telecommunication	5,482,386	4,490,773
Trade shows and exhibitions	104,470	420,160
Training	4,684,980	3,546,444
Travel Costs	3,846,334	2,896,380
Total	<u>118,530,124</u>	<u>80,961,057</u>

9. Repairs and Maintenance

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

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

10. Depreciation and Amortization

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

11. Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. Receivables from exchange transactions

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

13. Receivables from non-exchange transactions

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

14. Property, Plant & Equipment

	Motor Vehicles	Computers & Equipment	Furniture & Fittings	Office Partitions	Total
Cost	Ksh	Ksh	Ksh	Ksh	Ksh
At 1st July 2013	23,114,912	35,257,440	10,309,108	43,135,783	111,817,243
Additions	0	318,995	75,000	0	393,995
Revaluations	8,946,435	0	0	0	8,946,435
Disposals	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0
As at 30th June 2014	32,061,347	35,576,435	10,384,108	43,135,783	121,157,673
Additions	0	7,657,495	1,181,800	551,742	9,391,037
Revaluations	0	0	0	0	0

Disposals	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0
As at 30th June 2015	<u>32,061,347</u>	<u>43,233,930</u>	<u>11,565,908</u>	<u>43,687,525</u>	<u>130,548,710</u>
Depreciation & Impairment					
At 1st July 2013	18,282,348	33,092,327	5,053,661	28,990,058	85,418,394
Depreciation	3,489,109	1,319,962	1,305,005	5,391,973	11,506,049
Impairment	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0
As at 30th June 2014	<u>21,771,457</u>	<u>34,412,289</u>	<u>6,358,666</u>	<u>34,382,031</u>	<u>96,924,443</u>
Depreciation charge for the year	3,489,109	1,982,472	1,328,353	5,460,941	12,260,875
Impairment	0	0	0	0	0
Transfers/adjustments	0	0	0	0	0
As at 30th June 2015	<u>25,260,566</u>	<u>36,394,761</u>	<u>7,687,019</u>	<u>39,842,972</u>	109,185,318
Net book values					
As at 30th June 2015	<u>6,800,781</u>	<u>6,839,169</u>	<u>3,878,889</u>	<u>3,844,553</u>	<u>21,363,392</u>
As at 30th June 2014	<u>10,289,890</u>	<u>1,164,146</u>	<u>4,025,442</u>	<u>8,753,752</u>	<u>24,233,229</u>

15. Intangible assets

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

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

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

16. Trade & Other Payables from exchange transactions

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

17. Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

18. Revaluation Reserve

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

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

19. Revenue Reserve

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. Cash generated from operations

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

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

21. Financial Instruments

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

22. Contingent Assets

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. Contingent Liabilities

Litigation Matters: As at 30th June 2015, there were some cases before the courts in which the Authority is a party that had not been concluded. The outcome of the cases and the likely costs of the suits (damages/other court awards) that the Authority may have to bear cannot be estimated with certainty. This disclosure has been provided in conformity with IPSAS 19.

24. Operating Lease Rentals

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

Lease with National Bank of Kenya:

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

Lease with Mombasa Trade Centre:

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

25. Subsequent Events

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. Restatement of Comparative figures

Prior period errors of Ksh 5,840,646 discovered in the current financial year have been corrected and the affected comparative prior amounts restated in line with IPSAS 3 paragraph 46 and 47. The affected expenditure categories are as shown below (See Annex 1 for details)

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

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

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

27. Purchase of Assets

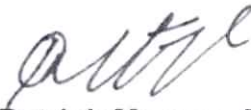
Purchase of fixed assets Ksh 57,084,095 reported in the statement of comparison of budget and actual amounts comprises of the following

Details	Amount Ksh
Assets acquired and captured in asset register	10,451,037
Assets for which payment had been made as at 30 06 2015 and awaiting delivery	18,288,123
Assets budget for acquisition in the year and funds committed on as procurement process had been concluded	28,344,935
Total	57,084,095

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

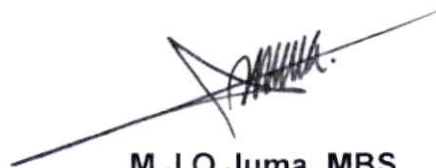
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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 2012/13 audit report	Capital grant not accounted for as per IAS 20	Capital grant now accounted for under the capital approach	Chris Sakwa Manager, Finance	Resolved	



CPA Patrick Mtange, FCPAK
Chairperson PPOAB

Date: 23.09.2015



M.J.O Juma, MBS
Director General

Date: 23.09.2015