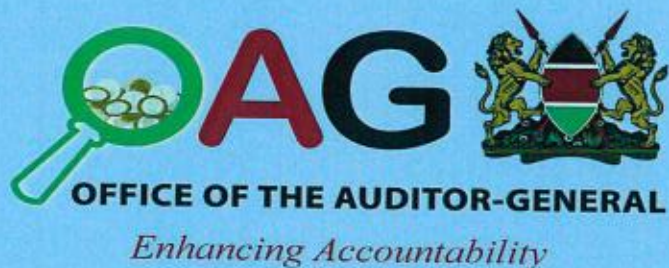



REPUBLIC OF KENYA



 THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT	
DATE: 08 MAR 2023	
DAY:	
TABLED BY:	Hon. Dwen Baya, CBS, MP
OF	Deputy Majority Leader
CLERK-AT THE TABLE:	Christine Ndiribi

THE AUDITOR-GENERAL

ON

**PUBLIC PROCUREMENT REGULATORY
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2021**



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2021**

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

Table of Contents

KEY ENTITY INFORMATION AND MANAGEMENT.....	3
THE BOARD OF DIRECTORS.....	8
MANAGEMENT TEAM.....	20
STATEMENT OF THE BOARD CHAIRMAN.....	22
STATEMENT OF THE DIRECTOR GENERAL.....	23
CORPORATE GOVERNANCE STATEMENT.....	27
MANAGEMENT DISCUSSION AND ANALYSIS.....	33
ENVIRONMENTAL & SUSTAINABILITY REPORTING.....	51
REPORT OF THE DIRECTORS.....	52
STATEMENT OF DIRECTORS' RESPONSIBILITY.....	53
STATEMENT OF FINANCIAL PERFORMANCE.....	55
STATEMENT OF FINANCIAL POSITION.....	56
STATEMENT OF CHANGES IN NET ASSETS.....	57
STATEMENT OF CASH FLOWS.....	58
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	60
FOR THE YEAR ENDED 30 TH JUNE 2021.....	60
NOTES TO THE FINANCIAL STATEMENTS.....	62



KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

The Public Procurement Regulatory Authority (the Authority) is established under Section 8 (1) of the Public Procurement and Disposal Act, 2015 (PPADA, 2015) and is 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 of Kenya, 2010. To ease access to its services, the Authority has four (4) regional offices situated in Mombasa, Kisumu, Eldoret and Nakuru.

b) Vision, Mission and Core values

Vision

A dynamic public procurement and asset disposal system for a prosperous nation.

Mission

To regulate the public procurement and asset disposal system through monitoring and enforcement for socio-economic development in Kenya.

Core values

1. **Integrity:** We uphold honesty and professional ethics in all our operations
2. **Innovativeness:** We are a learning organization that embraces creativity and innovativeness in service delivery and responsive to changes in the operating environment.
3. **Customer focus:** We are committed to upholding the highest standards in service delivery to all customers and stakeholders.
4. **Courage:** We are bold in the execution of our duties.
5. **Teamwork:** We work together towards the realization of our mandate.

KEY ENTITY INFORMATION AND MANAGEMENT CONTINUED

c) Principal Activities

The Authority has a mandate to among other functions; monitor, assess and review the Public Procurement and Asset Disposal system in Kenya to ensure they respect the National Values and other provisions of the law including Article 227 of the Constitution of Kenya, 2010.

The functions of the Authority as spelt out under section 9 of the PPADA, 2015, include:

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

KEY ENTITY INFORMATION AND MANAGEMENT CONTINUED

- (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; and
 - viii. Any information related to procurement that may be necessary for the public
- (n) Inform as applicable, the Cabinet Secretary, Parliament, the relevant County Executive member for finance, the relevant County Assembly or Auditor-General on issues of 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 asset disposal with 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 and reservations and provide data to the Authority disaggregated to indicate the number of disadvantaged groups that have benefitted;
- (s) Perform such other functions and duties as are provided for under the Act and any other relevant law.

KEY ENTITY INFORMATION AND MANAGEMENT CONTINUED

d) Key Management

The Authority's day-to-day management is under the following key organs:

- The Public Procurement Regulatory Board
- Director General
- Management

e) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

S/No.	Name	Designation
1.	Maurice O. Juma, MBS	Director General. Retired in November 2020 having served as Director General for 2 terms.
2.	Ms. Pauline Opiyo	Was appointed as Acting Director General effective November 2020.
3.	Jane Njoroge	General Manager, Technical Services (Retired on 10 th December, 2020).
4.	Rose Nyamweya (Mrs.)	General Manager, Finance & Admin.
5.	Henock K. Kirungu	Was appointed Acting General Manager, Technical Services effective November 2020.
6.	Lucy J. Barno	Corporation Secretary and Head of Legal & Corporate Affairs
7.	Chris Sakwa	Manager, Finance
8.	Maximus K. Siwa	Head of Procurement

f) Fiduciary Oversight Arrangements

The operations of the Authority are guided by the Public Procurement and Asset Disposal Act 2015, Public Finance Management Act 2012, relevant Acts of Parliament and Regulations and the Mwongozo Code of Governance for State Corporations.

Key fiduciary arrangements covering the Authority include:

- The Public Procurement Regulatory Board activities
- Audit and Finance Committee activities
- Parliamentary Committee activities

KEY ENTITY INFORMATION AND MANAGEMENT CONTINUED

g) Entity Headquarters

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

h) Entity Contacts

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

i) Entity Bankers

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

Kenya Commercial Bank
KICC Branch
P.O. Box 46950-00100
Nairobi, Kenya

j) Independent Auditors

Auditor General
Office of Auditor General
Anniversary Towers, University way
P.O. Box 30084 - 00100
Nairobi, Kenya

k) Principal Legal Adviser

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

THE BOARD OF DIRECTORS

The Act has established two Boards; the Public Procurement Regulatory Board which is the Board of Directors of the Authority, and the Public Procurement Administrative Review Board, an independent quasi-judicial body that presides over public procurement disputes.

THE PUBLIC PROCUREMENT REGULATORY BOARD

The Public Procurement Regulatory Board (PPRB) is the management Board of the Public Procurement Regulatory Authority. It is established under section 10(1) of the PPADA 2015. Its main responsibility being oversight of management, operations and activities of the Authority. The PPRB was constituted in September 2018.



Mr Andrew M. Musangi: Board Chairperson

Mr Musangi is an advocate of the High Court of Kenya with more than 25 years in legal practice. He is the managing partner at Mukite Musangi & Company Advocates and was previously an associate at Sheth & Wathigo Advocates.

He is a previous Chairman of the Law Society of Kenya, Rift Valley Branch and a past Director of the Kenya Rugby Union. From 2005-2012 Mr. Musangi served as a Council member of the Nakuru Business Association. He has also served as a Chairman, of the KRA Local Committee, South Rift Region

Currently Mr Musangi also serves as the Chairman of GenAfrica Asset Managers; and as a Director at Smart Applications and at Resolution Insurance.

He holds a Bachelor of Laws degree (LL.B) (Hons) from University of Hull (UK) and a Postgraduate Diploma in Law from Kenya School of Law

PUBLIC PROCUREMENT REGULATORY BOARD CONTINUED



Commissioner Lydia W. Gachoya: Board Member

Commissioner Lydia is a seasoned Human Resources specialist having worked in the private sector both locally and internationally up to Director level.

She has previously held the following positions: Head of HR, Unga Ltd; HR Team Leader, UN-The Netherlands; Regional HR Director, Colgate Palmolive and Commissioner, National Gender & Equality Commission.

She is the current Vice President, Regional Women Forum of International Conference of the Great Lakes Region. She also serves in the Board of St. Monica Childrens Orphanage in Machakos.

She holds; Bachelor of Education from the University of Nairobi and a Post Graduate Diploma in Institutional and Project Management.



Dr Jared M. Siso: Board Member

Dr Siso has vast experience having worked in the private sector and academia. He is a serving Lecturer in Anthropology and Gender & Development Studies at the University of Nairobi, and the Executive Director of the Wiper Democratic Movement.

He also undertaken many research consultancies for Kenyan and multinational corporations and has several publications under his name.

Dr Siso, holds a PhD from the University of Nairobi; a Postgraduate Diploma in Research Methodology from DBL-Copenhagen University, Denmark; an M.A (Anthropology) from the University of Nairobi and B.A (Anthropology) from University of Nairobi.

PUBLIC PROCUREMENT REGULATORY BOARD CONTINUED



Mr Paul Nyamodi: Board Member

Mr. Nyamodi is an Advocate of the High Court of Kenya with vast experience in legal practice. He has been practicing law for more than 22 years. He is the proprietor of V.A Nyamodi & Co Advocates and was previously an Associate at the same firm.

Mr Nyamodi is also a director at Jamii Bora Bank, at Brook House International Schools and Uhoreru Ltd. He has previously served as a director at the Kenya Rugby Union and as Chairman of the Privatization Appeals Tribunal

He holds a Bachelor of Laws (LLB) degree from the University of Central England and a Diploma in Legal Practice from the Kenya School of Law



Hon Cecilia M. Sereka: Board Member

Hon Cecilia has a wealth of experience having served in various leadership positions for more than 10 years. She has previously held positions of Member of County Assembly in Machakos County Assembly representing Kiwanie ward and councilor in Mavoko Municipal Council. She is a serving director of Mavoko Water and Sewerage Company.

She holds a Diploma in Community Development and Social work and a second diploma in Leadership and Development. She has also attended many short courses on leadership, management and legislation. She is currently pursuing a Bachelor of Leadership and Management at Scotts Christian University.

PUBLIC PROCUREMENT REGULATORY BOARD CONTINUED



Ms. Lilian Moraa Abishai: Board Member

Ms. Lilian Abishai is a representative of the Attorney General at the Board. She is a Deputy Chief State Counsel at the Office of the Attorney General.

From 2008-2009, she was a coordinator at Kenyans for Peace with Truth and Justice. She has also been an Assistant Program Officer at the International Foundation for Election Systems.

Lilian has served as an alternate director at the Kenya Film Commission, and is a current alternate director at Kerio Valley Development Authority. She has a wealth of experience in negotiating high level financing, and contracts on behalf of the Government. She participated in the drafting of the Public Private Partnership legislation for Kenya.

Lilian holds a Bachelor of Laws degree from the University of Nairobi and a Diploma in Legal Studies from the Kenya School of Law.



Livingstone Bumbe: Board Member

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

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

PUBLIC PROCUREMENT REGULATORY BOARD CONTINUED



FCPA Jane Wanja Muthaura: Board Member

FCPA Jane has over 33 years' experience in the fields of Finance, Accounting and Company Secretary. Jane currently serves in among other positions as: Chairperson Salaries and Remuneration Commission (SRC) Audit committee, Director – Mhasibu Sacco, Director -Empire microsystem, Director – Association of Women Accountants of Kenya (AWAK).

She has previously held directorship and senior management positions in various institutions including: Director – Institutional Consultants Ltd, Council member - Institute of Certified Secretaries, Acting CEO – EACC, Director Finance & Admin – Mater Hospital, warehouse manager/chief accountant/Company secretary – East Kenya/Nairobi Bottlers Ltd.

Jane holds Bachelor of Commerce (University of Nairobi, Master of Arts (ongoing) – Pan Africa Christian University. In addition she is a Certified Secretary, Certified Public Accountant, Certified Professional Mediator and Certified Financial Analyst. In addition, she holds professional membership of: Institute of Public Accountant of Kenya (ICPAK), Institute of Certified Secretaries (ICS), Institute of Directors, Kenya Institute of Management, Institute of Certified Investments & Financial Analysts among others.



Ms. Linda Susan Ingari: Board Member

Linda is a Supply Chain Management Specialist with over 19 years of experience having worked in the Manufacturing, Education, Telecommunication, Banking, and the Agriculture sector up to senior management level.

Linda is also a Trainer and Consultant in Supply Chain Management with over 12 years of experience having facilitated various workshops and lectures in the SCM field. She spearheaded the development of the National Curriculum for Procurement and Supply Profession in Kenya. She currently serves in the Kenya Institute of Supplies Examination Board (KISEB). She holds a First-Class Honors bachelor's degree with a Master of Business Administration from Kenyatta University; Postgraduate Diploma in Procurement and Supply from Chartered Institute of Procurement and Supply (CIPS, UK); an International Diploma in Supply Chain Management from International Trade Centre (ITC, Switzerland) and a Diploma in Business Management from Kenya Institute of Management.

THE PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW BOARD

The PPARB is established under section 27 (1) of the Act. It is a central independent procurement appeals Review Board. The functions of the PPARB include: review, hear and determine disputes arising from procurement and asset disposal activities; and perform any other function conferred to it by the Act, Regulations or any other written law. The profiles of members of the PPARB are provided below.



Faith Waigwa: Chairperson

Ms. Faith Waigwa is an advocate of the High Court of Kenya and has been practicing law for more than 15 years. She is the Managing Partner of NOW Advocates LLP since March 2011. She has served as: Council member of the Law Society of Kenya, Deputy Secretary General of the East Africa Law Society and Vice President of the Law Society of Kenya. She has served as the Chairperson of the Review Board since 21st September, 2018 and her first term is set to expire on 20th September, 2021.

She holds a Bachelor of Laws degree (LL.B) (Hons) from the University of Nairobi and a Postgraduate Diploma in Law from Kenya School of Law. She is currently a Post Graduate student at the University of Nairobi pursuing a Master of Laws degree (LL.M) in Environment and Natural Resources Law; with a specific interest in Regulation of Power and Energy and a Master of Laws (LL.M) degree in Oil and Gas at Strathmore University.



Mr. Hussein Were: Member

Hussein Were has over 27 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.

PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW BOARD CONTINUED



Irene N. M. Kashindi: Member

Mrs. Irene Kashindi is an advocate of the High Court of Kenya, a Commissioner for Oaths and Notary Public with over 12 years' experience as a practicing advocate. She is a partner in the firm of Munyao Muthama and Kashindi Advocates. She was until June 2018 a partner in Hamilton Harrison & Mathews. She has a wealth of experience in commercial and civil litigation as well arbitration.

She has been a Partner and an Advocate in two leading law firms in Kenya, having been an advocate of the High Court of Kenya for over 12 years, six of which at partner level. She is a co-author of the Kashindi's Digest of Employment Cases. She holds a Masters and a Bachelor's Degrees in Law, and a Post-Graduate Diploma in Law, having done her thesis on public procurement.



Dr. Paul Akida Jilani, DBA, MCIPS, CHSCA, CSSC, CSCA: Member

Dr. Paul Jilani is a seasoned Supply Chain Specialist with over 15 years' extensive experience in industry procurement, logistics and supply chain management. He has extensive training and expertise in procurement and logistic processes, humanitarian supply chain, operations management, strategic sourcing and management, warehousing and distribution, shipping and imports management among others.

Dr. Jilani has previously worked as a Supply Chain Director, Advisory Contractual Role and been the Chairman of the Tetra Pak Sacco Limited. He has also been a part-time faculty of the KCA and JKUAT universities.

He holds a Doctor of Business Management in Global Supply Chain Management, a Master of Business Administration in Supply Chain Management, a Bachelor of Business Administration in Entrepreneurship, and a Graduate Diploma in Procurement & Supplies Management, UK.

He is a licensed member of the Kenya Institute of Supplies Management; a Certified Executive Coach and an alumnus of the Strathmore Business School Executive Coaching for Managers Program (ICF certified); and Public Policy Executive Program.

PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW BOARD CONTINUED

Mr. Jackson Awele Onyango: Member

Mr. Awele is a partner at Awele Jackson Advocates LLP and a Board Member at the LSK SACCO Board of Management. He was instructed as a pupil and began practice as an Advocate at Kaplan & Stratton and later joined Oraro & Co, Clifford chance LLP and One Essex Court Chambers (London) before founding his current private practice – Awele Jackson Advocates LLP.



Mr. Awele advises and represents local and international clients in criminal, civil, public law and commercial legal disputes including property disputes, private client, insolvencies, labor, shareholder disputes, debt recoveries, redemption actions among others before the High Court, Court of Appeal, the Supreme Court and Chartered Arbitrators.

He holds a holds a Bachelor of Laws degree (Moi University), Postgraduate Diploma in Law (Kenya School of Law) and a Master's in Business Administration (Finance) (University of Nairobi) and various advanced certifications in Intellectual Property and other fields.

CPA Isabel Juma: Member



CPA Isabel Juma is a Finance Professional with over 20 years of experience across Education, FMCG and Beverages. Seasoned in leading multi-faceted teams across Strategy, Capital Structuring and Financial Management functions, resulting in improved business efficiency and resource utilization. She currently holds the position of Finance Director in a leading brewing company in the region, and has been a Chief Finance Officer in an international private university.

She holds directorships at the CPF Financial Services Ltd and the Association of Women Accountants of Kenya, and is a member of the Institute of Certified Public Accountants of Kenya).

CPA Isabel is a Certified Public Accountant – Kenya, and a holder of Master in Business Administration and a Bachelor's in International Business Administration from the USIU.

PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW BOARD CONTINUED



Nicholas Sauka Mruttu: Member

Mr. Mruttu has been a successful General Manager & commercial executive with over 20 years' experience in the FMCG, Telecommunications, Mobile Payments & Insurance Sectors, and has become an expert in Insurance; Distribution & the value chain; Budget control & management of sales & revenues in a very large organisation. He has previously held the positions of Head of Sales for a leading digital TV organization in Africa, General Manager – Retail for a leading insurance company in Kenya, and Head of Sales for two other leading telcom companies.

He holds, a Global MBA from the United States International University (USIU) and a B.A. Economics from the University of Nairobi.



Ms. Phyllis Chepkemboi: Member

Ms. Phyllis Chepkemboi is an Advocate of the High Court of Kenya with over 11 years' experience, a holder of an MBA degree with a bias for Human Resource Management and a certified professional mediator with a rich working experience in diverse fields including general law practice, litigation and conveyancing.

Ms. Chepkemboi has previously been employed at a state corporation in the water sector as a Manager (Legal & Compliance) and at Mumma Nyagaka & Co. Advocates as an Associate. She is a member of the Law Society of Kenya, FIDA-Kenya, and a Life member of the Kenya Red Cross. She was also a member of the national steering committee team that came up with the Water Act 2016.



Alfred Mumpasoi Keriolale: Member

Mr. Keriolale has been a Community Based Natural Resource Management (CBNRM) Liaison Officer with the Ministry of Environment and Forestry and previously served in the NGO sector.

He has served as CEO/Secretary of Narok County Bursary Management Board.

He is pursuing a Master's of Business Management (Strategic Management) from the Maasai Mara University, and has a Bachelor of Education Degree from Egerton University

PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW BOARD CONTINUED



Njeri Onyango: Member

Mrs Njeri Onyango She is an Advocate of the High Court of Kenya, and proprietor of Njeri Onyango & Co. Advocates. She previously served as a board member of the Independent Policing Oversight Authority (IPOA). She also serves as a member of the Sports Disputes Tribunal, FIVB Legal Tribunal, FINA Disciplinary Panel and the Africa Continental Result Management Hearing Panel (Anti-Doping).

Mrs. Onyango has also undertaken legal consultancies with various organizations nationally and internationally.

She holds an LLB Degree from the University of Nairobi and a Diploma in Law from the Kenya School of Law.

Mrs. Njeri Onyango is a fellow of the Chartered Institute of Arbitrators London and a member of the Chartered Institute of Arbitrators-Kenya chapter.



Hon. Rahab Robi Chacha: Member

Hon. Rahab Robi Chacha is the founder of the Kuria Women & Youth for Change, that comprises of political and youth activist volunteers. Hon. Robi Chacha was previously a member of the County Assembly of Migori, and has been a Director, Youth & Gender at the Migori County Assembly Senator's Office. She has also been the Deputy Regional Coordinator, Nyanza & Western Region of the Truth, Justice & Reconciliation Commission.

She holds a Bachelor's Degree in Criminology and Security Studies from Rongo University and a Diploma in Human Resource Management.

PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW BOARD CONTINUED



DR. JOSEPH B. GITARI: Member

A political economist, Dr. Gitari has over three decades of frontline experience in human rights, governance and strategic communications nationally, regionally and globally.

Dr. Gitari has held senior positions in global development organizations in Kenya, Africa and other worldwide regions. He has also carried out several governance consultancies in public and corporate governance regionally.

Dr. Gitari holds degrees in: PhD (International Relations); an M.A.: International Relations and B.A.: Mass Communications and Political Science, all from the University of Denver, Denver, Colorado, USA.



Steven Oundo Wandera Bwire, OGW: Member

Mr. Steven Oundo has over 24 years' experience in the Practice of Architecture and Alternative Dispute Resolution Mechanisms in the Construction Sector.

He is a past Chairman of the National Construction Authority, Past Chairman of the Association of Professional Societies in East Africa and a Past Chairman of the Architectural Association of Kenya (AAK).

Mr. Steven Oundo is a Fellow Member of the Chartered Institute of Arbitrators, A Fellow Member of AAK and a Trustee of the Registered Trustees of AAK.

He has a Bachelor of Architecture, (Hons) and an MBA both from the University of Nairobi.

PUBLIC PROCUREMENT ADMINISTRATIVE REVIEW BOARD CONTINUED

Ambrose Ngare, SS: Member



Mr Ngare is passionate on application of Alternative Dispute Resolution (ADR) in Conflict Management and Criminal Justice. Notable achievements include being a leader on Prison Reforms and Human Behavior change and Leader in fake seed reduction in Kenya on Promotion of Food Security.

He also serves under Judiciary as Court Annexed mediator, Professional Mediator and Trainer.

Mr. Ngare previously served at Kenya Seed as Head of Security, Egerton University as a Lecturer and Kenya Prisons Service as a Regional Coordinator.

He holds a Master of Arts in Criminal/Social Order; B.A. Sociology/political Science, PgD in Human Recourse Management from the UON,

Eng. Mbiu Kimani OGW, HSC: Member



Eng. Mbiu Kimani is a Practicing Civil and Structural Engineer. Prior to this, Eng. Kimani worked with the Government of the Republic of Kenya, in the State Department of Public Works until he retired on 26th October, 2016. He was Acting Works Secretary from December 2015 up to his retirement in October 2016. He was Chief Engineer (Structural) from 1998 up to December 2015.

Eng. Mbiu Kimani has previously served on the Boards of; Sports Stadia (2012-2014) and Egerton University Council (2006-2013) as alternate to the PS, Public Works. He has also been a Committee Member-Githunguri Constituency Development Fund (2008-2012), Kiambu County.

He holds a M.SC (Construction), BSc (Civil Eng) and a Certificate in Earthquake Engineering and Seismology from the Institute of Earthquake Engineering and Engineering Seismology, University of Kiril and Metodi, Yugoslavia. He has also attended many Arbitration and Dispute Resolution Courses offered by the Chartered Institute of Arbitrators (Kenya Branch).

He is a Fellow of the Institution of Engineers of Kenya and a Registered Consulting Engineer with the Engineers Board of Kenya.

MANAGEMENT TEAM



Ms. Pauline O. Opiyo
Ag. Director General
MSc (Proc& Logistics), BA, CIPS
GDip (Purchasing & Supply Mgt)



Mrs Rose M. Nyamweya
GM (Finance & Admin.)
PhD(Candidate), CPA(K) ,CPS(K)
MBA, B.Com



Henock Kirungu
A.g. GM (Technical Services)
MBA, B.Com, CIPS, PGD (Computer Sci)
PGD(Purchasing & Supplies)



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



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

MANAGEMENT TEAM CONTINUED



Peter K Ndung'u
Manager, MERRAS
MA (Econ), BA (Econ), CIPS
Dip (Purchasing & Supplies)



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



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



Philip J. Okumu
Ag. Manager, ARB Secretariat
BSc (Proc & Logistics),
Dip (Purchasing & Supply mgt)



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



Peter Wangai
Ag. Manager, Compliance
MSc (Procurement & Logistics), BA (Hons),
Dip (Purchasing & Supply Chain Mgt,
Dip (Forensic & Criminal Investigations)



Samson Odhiambo
Ag. Manager, ICT
BBIT, Higher Diploma IMIS

STATEMENT OF THE BOARD CHAIRMAN

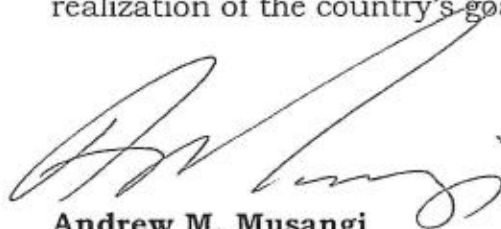
The importance of public procurement to the government and the economy cannot be overstated. Public procurement system provides the Government with a platform that supports effective and efficient provision of public goods and services to the citizenry. Government, is the main buyer of services such as education, health, social services, transportation and infrastructure all of which are major pillars of GDP and economic growth in any economy. Statistics show that public procurement contributes 15 – 20% of the GDP.

The primary objective of public procurement is to deliver goods and services necessary to accomplish government missions in a timely, economical and efficient manner. It is with this understanding that the Authority continually strives to ensure that the country has an efficient and effective public procurement system that is aligned to and serves its needs and aspirations and that there is value for money for public funds expended through public procurement.

The Government continues to implement reforms in public procurement arena to safeguard and build on gains made so far. Towards this end, a draft National Public Procurement Policy has been developed in line with the Constitution of Kenya, other relevant laws and international best practices. The overall objective of the policy is to achieve a standard public procurement and asset disposal system that is fair, equitable, transparent, competitive, sustainable and cost effective.

In addition, the Government is in the process of developing an e-Government procurement system as it gears towards migrating from the manual procurement system to an automated and more efficient procurement system. As a progressive economy, Kenya is cognizant of the need to embrace sustainable procurement. Towards this end, the Authority in collaboration with the Ministry of Environment and mineral resources is in the process of developing a Green Public Procurement Framework. The objective of the framework is to encourage organizations to meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis whilst minimizing damage to the environment.

The Board and management remain committed to have in place systems that will ensure the Authority delivers on its mandate and makes its contribution to the realization of the country's goals and aspirations.



Andrew M. Musangi
Chairman

STATEMENT OF THE DIRECTOR GENERAL

Public procurement is critical for accountability of public expenditure and supports good governance. It assists with economic and social development and public trust in Government. An efficient public procurement system is essential for ensuring timely delivery of goods, works, and services intended for citizens; it also promotes competitiveness, investment and trade within and among countries.

As procurement is critical to almost all government functions, the contributions made by public procurement can be viewed through many different lenses. Recent OECD work has highlighted citizen well-being as a binding goal for the various aims of public procurement. The value achieved from public procurement can directly impact the well-being of citizens, which in turn affects a plethora of issues, including their ability to contribute to economic development. For instance, when used strategically, procurement can improve significantly the life of citizens through agile and high-quality public services, such as health care and education. Similarly, it could work as an enabler for job creation and social inclusion in economic development as is the case with AGPO and other preference and reservation schemes being implemented by the Government of Kenya. As a core and transversal activity of government, public procurement affects directly on all dimensions of citizens' lives at the macro and micro level.

Legal framework

The public procurement regulatory framework comprises the implementation regulations and standard procurement documents. The Authority with technical support from GIZ reviewed, updated and developed **new standard tender documents and formats** in consideration of changes in the Act, the Regulations and International best practices. This development was brought to the attention of Procuring Entities vide PPRA Circular No. 02/2021 of 22nd April, 2021 and the new standard tender documents and formats were disseminated through the Authority's website www.ppra.go.ke.

In addition, the Authority in collaboration with The National Treasury developed the **draft National Public Procurement Policy** in line with the Constitution of Kenya, other relevant laws and international best practices. One of the international best practices Kenya is gearing to adopt is the concept of sustainable procurement and development. Towards this end, the Authority in collaboration with the Ministry of Environment and mineral resources is in the process of developing a **Green Public Procurement Framework**. The objective of the framework is to encourage organizations to meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis whilst minimizing damage to the environment.

Public Procurement Reforms

Public procurement and asset disposal system in Kenya has over the years been undergoing continuous transformation through the Government's efforts to ensure it is in tandem with emerging issues in procurement, technological changes and best practice with the overall objective of quality service delivery, prudent management and curtailing wastage of public resources. During the period under review the Authority in collaboration with The National Treasury, other Government Agencies and Key stakeholders focused on safeguarding and deepening gains made in public procurement reforms. Some of the key activities implemented to deepen the reforms include;

- a. E-Government Procurement system:** The development of an e-Government procurement system commenced in earnest with support from the World Bank. Implementation of the e-Government system is expected to enhance efficiency in public procurement and improve openness and accountability.
- b. National public procurement policy:** The policy draws from and builds on the previous experience and challenges in the management of public procurement processes and details policy interventions to address such perennial concerns of mis-procurement, delayed payments, inflated costs and cost overruns, project delays thus hindering achieving value for money.
- c. Roll out of the Upgraded Public Procurement Information Portal (PPIP):** To enhance openness in public procurement and improve access to public procurement information, the Authority with support from the Public Financial Management Reforms (PFMR) program upgraded and optimized the PPIP to meet new requirements suggested by users and stakeholders. The upgraded PPIP was rolled out in May 2021 and this development brought to the attention of stakeholders via PPRA Circular No. 03/2021 of 17th May, 2021. The Portal is available for access by all stakeholders through <https://tenders.go.ke>.

Monitoring compliance

Compliance monitoring reviews have continued to ensure value for money is achieved by a public procurement system that pay attention to economy and efficiency. A strategic outcome of compliance has allowed stakeholders to understand and monitor how public funds are spent through public procurement.

During the period in review, the Authority monitored compliance through procurement assessments, reviews, contract audits, complaints management,

investigations and review of mandatory reports submitted by Procuring Entities. Hearing of debarment proceedings against errant suppliers commenced during the year under review after a lull of almost six years occasioned by the absence of a Board. The Authority's efforts in monitoring the implementation of public procurement laws and procedures have contributed largely in enhancing public confidence in the system as well as decrease violation of the procurement law by procuring entities.

Preference and Reservation Schemes

The Authority is mandated under Sec 9(e) and (l) of PPADA 2015 to monitor, evaluate and report on performance of preference and reservation schemes provided under Section 155 – 159 of the Act.

Preference and reservation schemes provide a platform for public procurement to be integrated with socio-economic empowerment policies. Through these schemes, affirmative action is implemented to mainstream gender and youth in public procurement and champion the socio-economic empowerment of disadvantaged individuals by requiring all procuring entities to allocate 30 percent of their total procurement to be spent on these groups.

Further, through the buy Kenya, build Kenya initiative; promotion of local content and citizens contractors preference schemes the Government seeks to support and promote local industries and SMEs whose growth is expected to boost expansion of the economy and job creation.

Strategic Partnerships and Linkages

The Authority shares experiences and also works closely with other public procurement regulators within the East Africa Community (EAC) under the auspices of the East African Public Procurement Forum and at the continental level through the African Public Procurement Network. The engagements aim to harmonize public procurement standards and practises. The Authority is also working closely other key stakeholders including state and non-state actors on ways of improving compliance to the procurement law.

Decentralization

PPRA has embarked on devolution of its services by opening regional offices. This initiative will ensure citizens have reasonable access to its services in all parts of the Republic as envisaged under article 6(3) of the Constitution of Kenya 2010 and section 8(3) of the PPADA 2015. The Authority so far has four operational regional offices in Mombasa, Kisumu, Eldoret and Nakuru. With support from the National Government, PPRA intends to establish a total of nine regional offices over the next three financial years.

Future

With support from stakeholders and full implementation of the new legal dispensation, the Authority's envisions a robust public procurement system that will both serve the needs and expectations of Kenyans and contribute towards realization of Vision 2030, the Big "4" Agenda and other Government development programmes.

Appreciation

The aforementioned would not have been realized without the support of the Government, Board, management, staff and stakeholders. I therefore 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 enabling the Authority carry out its mandate. Many thanks to PPRA staff for their support and dedication despite the notable challenges of acute staff shortage and the Covid-19 pandemic experienced during the year.



Ms PAULINE O. OPIYO
Ag. DIRECTOR GENERAL

CORPORATE GOVERNANCE STATEMENT

The Public Procurement Regulatory Board is committed to applying and maintaining the highest standards of corporate governance at the Authority as it recognizes this to be a key contributor to the long term success, value and sustainability of the Authority.

Good corporate governance enables effective and efficient decision making and gives a structural aid for the Board to discharge their duty to promote the success of the Authority while taking into account the interest of stakeholders. Effective governance is achieved through a combination of strong policies, process and structures, underpinned by the right values and culture.

The operations of the Authority are guided by the Public Procurement and Asset Disposal Act, 2015 (the Act) and other relevant Acts of Parliament and Regulations. The Authority has also adopted and continues to be guided by the Mwongozo code of governance in its operations.

The Public Procurement Regulatory Board

The Public Procurement Regulatory Board is established under section 10(1) of the Act. Further, the Act provides for a Regulatory Board to comprise of nine members. The Director General who is the Chief Executive Officer of the Authority is the Secretary to the Board. The Regulatory Board is responsible for the long-term sustainability and success of the Authority through provision of strategic leadership, steadfast oversight of management and ensuring that the Authority provides its stakeholders with a balanced and understandable assessment of its current position and prospects.

Specifically, the functions of the Regulatory Board are:

- (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 promote 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) Subject to concurrence of The National Treasury, approve the opening of bank accounts for the funds of the Authority in accordance with the Public Finance Management Act, 2012;

- (g) Subject to the approval of the Cabinet Secretary, invest any of the Authority funds not immediately required for the purposes of the Act, as it may determine; and
- (h) Co-operate with other organizations undertaking functions similar to its own, whether within or outside Kenya as it may consider appropriate and in furtherance of the functions of the Authority.

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

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

As a good corporate governance practice, the Board has delegated some of its responsibilities to committees of the Board. The Board receives reports at its meetings from the Chairpersons of each of the committees on their current activities.

Board Independence, Separation of Roles and Responsibilities

A clear division of responsibility exists between the Chairperson of the Board who is non-executive, the non-executive Board members and the Director General. Each of the responsibilities are clearly set out in writing. During financial year 2020/2021:

a) Board Composition

S.No	Name	Position	Appointment Date
1	Mr Andrew M. Musangi	Chairperson	20.09.2018
2	Commissioner Lydia W. Gachoya	Member	20.09.2018
3	Dr Jared M. Siso	Member	20.09.2018
4	Mr Paul Nyamodi	Member	20.09.2018
5	Hon Cecilia M. Sereka	Member	20.09.2018

S.No	Name	Position	Appointment Date
6	Ms. Lilian M. Abishai	Member	20.09.2018
7	Mr Livingstone Bumbe	Member	20.09.2018
8	FCPA Jane W. Muthaura	Member	15.11.2019
9	Ms. Linda S. Ingari	Member	15.11.2019

b) Board Meetings

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

The Director General, is the secretary to Board. He/she is responsible for implementing the decisions of the Board and the day-to-day operations of the Authority.

The Corporation Secretary provides administrative support to the operations of the Board and convenes Board meetings as directed by the Chairman of the Board. The Board Secretary provides advice on corporate governance principles and plans and also on the implementation of corporate governance programs such as Board evaluation. The Corporation Secretary is an advocate of the high court, qualified certified public secretary and a member of the Institute of Certified Public Secretaries (ICPSK) in good standing.

During the year ended 30th June 2021, the Regulatory Board and its Committees held meetings to deliberate on strategic and policy matters central in the realization of the Authority's mandate. Notable strategic resolutions made by the Board include;

- i. The appointment of Ms. Pauline Opiyo as the Acting Director General following the expiry of term of the former Director General, Mr. Maurice Juma.
- ii. The appointment of Mr. Henock Kirungu as the Acting General Manager, Technical Services Directorate following the retirement of Mrs Jane W. Njoroge.
- iii. The Board also established a debarment committee with the mandate of determining debarment cases as provided under Section 41 of the Public Procurement and Asset Disposal Act, 2015 (the Act) and Regulation 22 of the Public Procurement and Asset Disposal Regulations, 2020 (the Regulations).

c) Board Committees and Responsibilities

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

To enhance efficiency and effectiveness in discharge of its duties, the Board has formed four (4) board committees:

- i. Finance & Administration Committee
- ii. Compliance, Communication & Strategy Committee
- iii. Audit, Risk and Governance Committee
- iv. Debarment Committee

d) Board Development

Training and development programs were organized to equip the Board with the necessary skills for effective discharge of their duties and enhancing their understanding of the Authority's mandate. The trainings and capacity building programmes were on the following areas:

- i. **The Debarment Committee** – The committee was trained on conduct of debarment proceedings between 22nd and 23rd February, 2021. This paved way for commencement of debarment proceeding, with the first debarment sitting being held on 22nd March, 2021.
- ii. **The Compliance, Communication and Strategy Committee** also held a training from 17th to 19th March, 2021, on the Public Procurement and Asset Disposal Regulations, 2020.
- iii. **The Audit, Risk and Governance and the Finance and Administration Committees of the Board** held a joint virtual training session between from 27th to 29th January, 2021. The training was aimed at enlightening the management, Internal audit, Audit Committee and Finance Committee of their roles in the preparation and presentation of financial statements, risk management and business continuity. The training was conducted by the Institute of Certified Public Accountants of Kenya (ICPAK).

e) Board Remuneration

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

f) Conflict of Interest, Code of Conduct and Ethics

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

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

g) Sustainability

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

h) Risk Management and Internal Control

The Board has put in place a comprehensive risk management framework which identifies and manages risks. The Authority continues to be guided by this risk management framework in its daily operations. The following were identified as the key risks facing the Authority: -

1. Compliance Audit Risk
2. Loss of Authority's and clients' records
3. Reputational risks
4. Litigation risks
5. Occupational Safety, health and environmental risks

i) Legal Challenges

The Authority faced no legal challenges related to its operations during the period under review.

j) Stakeholder Relationships

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

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

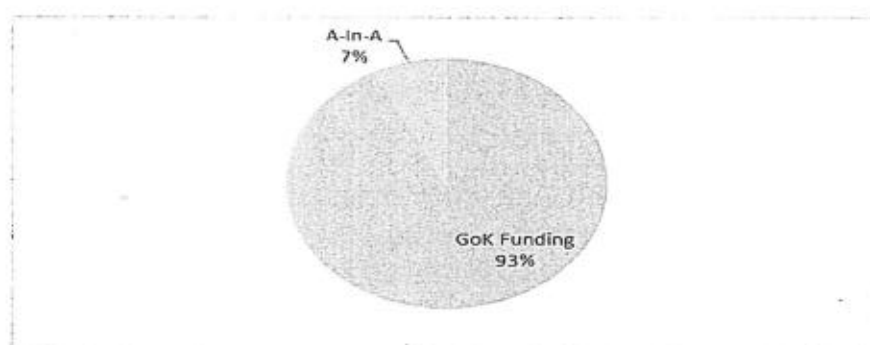
MANAGEMENT DISCUSSION AND ANALYSIS

The Authority worked closely with all stakeholders to ensure smooth implementation of the Public Procurement and Asset Disposal Act 2015 and the attendant regulations. The financial and operational performance results of the Authority are as detailed in the following sections.

1. FINANCIAL PERFORMANCE

During FY 2020/2021, the Authority raised Ksh 331,279,035 to funds its operations. This was a 10.5% reduction in revenues compared to Ksh 370,325,822 raised in FY 2019/2020. The revenues raised during the period under review comprise Government funding of Ksh 306,987,152 translating to 93% of total revenues and Appropriation-In-Aid of Ksh 24,291,883 which is 7% of the total revenues as illustrated in the diagram below.

Figure 1: PPRA Sources of Funding



Generally between FY 2016/2017 and FY 2020/2021, the Authority experienced a trend of decline in annual revenues largely on account of decline in Government funding as depicted in the diagram below.



MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

2. OPERATIONAL PERFORMANCE

Strategic Objective 1: To Strengthen Performance and Compliance Monitoring of the Public Procurement and Asset Disposal System

The Authority is mandated under Section 9 (1) (a) & (b) of the Act to monitor, assess and review 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. This includes monitoring the performance of the system and reporting on its overall functioning. This subsection therefore details the strategies deployed by the Authority to realize this goal and the milestones realized thus far.

2.1 Monitoring of Compliance with the Public Procurement Law

The Authority monitors compliance with the Public Procurement Law through a number of strategies including, procurement assessments, procurement reviews, contract audits, inspections, follow-up of implementation of recommendations and review of mandatory reports submitted by procuring entities (PEs).

2.1.1 Review of Mandatory Reports

Pursuant to the provisions of the Act, procuring entities (PEs) are required to submit mandatory reports to the Authority within the prescribed timelines. The reports include: all contracts awards, terminations of procurement proceedings, direct procurement above Kes. 500,000, disposal to employees, contract variations/amendments, contract awards under the preference and reservation schemes and part of the procurement consolidated annual procurement plan demonstrating application of preference and reservation schemes.

During the year ended 30th June 2021, the Authority received and reviewed the quarterly reports from PE's. The reports were analysed to assess compliance with the provisions of the Procurement Law and relevant directives.

2.1.2 Review Annual Procurement Plans

The Act requires PEs to prepare annual procurement plans and submit to the Authority the part of the procurement plan demonstrating compliance with Section 158(2) of the Act on preference and reservations schemes and PPRA Circular No.1/2016 dated 16th December, 2016. The Authority reviews the procurement plans to determine whether they were prepared in accordance with Sections 53 (6) and 157(5) & (10) of the Act, Regulations 40 and 41 of the Public Procurement and Asset Disposal Regulations, 2020 (the Regulations) and the directives issued by the Authority.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

The aforementioned provisions require a Procuring Entity (PE) to reserve at least 30% of the procurement budget for procurement of goods, works and services from enterprises owned by youth, women and persons with disabilities. County Government entities are further required to apply preference and reservation scheme whereby 20% of their procurement budgets are reserved for resident tenderers in their counties pursuant to Section 33(2) (g) of the Act and Regulation 40(5).

During the period under review, **118** PEs submitted their procurement plans for the 2020/2021 financial year (FY) to the Authority. The plans were reviewed and a summary of the findings presented in the table below.

Table 1: Summary of Findings on the Annual Procurement Plans Submitted to Authority

S/No	Summary of Findings on Annual Procurement Plans (APPs)	Number
1.	Number APPs for the 2020/2021 FY submitted to the Authority	118
2.	Number of APPs submitted within the prescribed deadline of 31st August, 2020	79
3.	APPs submitted after the deadline of 31st August, 2020	39
4.	Number of APPs where at least 30% of the Procurement Budget was Reserved	44
5.	Number of PEs whose allocation for Reservation Scheme was below the minimum threshold of at least 30% of the Procurement Budget	37
6.	Number of APPs without evidence of reserving at least 30% of the Procurement Budget for Reservation Scheme	37

From the table above, out of **118** PEs that submitted plans, **44** PEs reserved at least **30%** of their procurement budget for procurement of goods, works and services from enterprises owned by youth, women and persons with disabilities (PWDs) while all the remaining PEs either reserved procurements valued less than the prescribed minimum threshold of at least **30%** of their procurement budget or none at all.

Among the weaknesses identified in the procurement plans included, failure by some of the PEs to comply with the requirement of reserving at least 30% of the procurement budget to the enterprises owned by youth, women and persons living with disability contrary to Sections 53(6) and 157 (5) & (10) of the PPADA; failure by some of the PEs to reserve any procurement for reservation scheme; failure by all other PEs to submit their procurement plans to the Authority as directed.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

2.1.3 Review of Reports on Procurement Transactions

(a) Reports on All Contract Awards

The table below presents a summary of the number of PEs that submitted reports on contract awards.

Table 2: Summary of reports on contract awards

No.	National Government Entities	Estimated Number of PEs	Q1	Q2	Q3	Q4	
1.	State Corporations and SAGAs	370	40	88	63	64	255
2.	Ministries and State Departments	46	11	5	5	3	24
3.	Constitutional Commissions and Independent Offices	19	3	4	6	6	19
4.	Public Colleges, Polytechnics, Technical Training Institutions	110	5	10	10	3	28
5.	Public Universities and University Colleges	39	11	20	18	31	80
6.	NGCDF Committees	290	0	0	7	5	12
7.	NGAAF Committees	47	0	0	0	0	0
8.	County Service Coordination Units	47	0	0	0	0	0
9.	Diplomatic Commissions	56	0	0	0	0	0
10.	Public Primary and Secondary Schools	32,800	0	0	0	0	0
11.	Pension Funds for Public Entities	-	0	1	0	3	4
Sub-total		33,824	70	128	109	115	422
	County Government Entities						
12.	County Executives	47	9	14	16	9	48
13.	County Assembly	47	4	7	6	10	27
14.	County Agencies	57	1	0	0	0	1
15.	City Boards and other Urban Areas	1	0	0	0	0	0
Sub-total		152	14	21	22	19	76
Total		33,976	84	149	131	134	498

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

(b) Reports on Use of Direct Procurement Method and Termination of Procurement Proceedings

During financial year 2020/2021, procuring entities reported a total of **405** direct procurement reports and terminations of 455 terminations of procurement proceedings. The table below presents the procuring entities and the number of procurement proceedings terminated, and or use of direct procurement method.

Table 3: Summary of reports on direct procurement and termination of procurement proceedings

No.	Procuring Entities	Terminations	Direct Procurement	Total
1	Ministries and State Departments	18	6	24
2	State Corporations and SAGAs	295	311	606
3	Constitutional Commissions, Institutions and Independent Offices	15	10	25
4	Public Universities and University Colleges	27	52	79
5	Public Colleges, Polytechnics & Training Institutes	3	4	7
6	Pension Funds for Public Entity	9	1	10
7	County Governments (Executives, Assemblies & CPSBs)	86	19	105
	National Government CDF Committees	2	2	4
	Total	455	405	860

(c) Reports on Contract Variations/Amendments

Section 139(5) of the Act instructs Accounting Officers to submit reports on contract variations or amendments to the Authority on quarterly basis. During the quarter, the Authority received **236** reports on varied/amended contracts as shown in the table below.

Table 4: Reports on contract variations/amendments

	Q1	Q2	Q3	Q4	Total
Reports on Contract Variations/Amendments	76	41	83	36	236

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

2.1.4 Procurement Assessments, Reviews and Contract Audits

Section 43 of the Act mandates the Authority to conduct Inspections, Assessments, audits, and Reviews relating to contracts, procurement and asset disposal proceedings. During the reporting period the Authority conducted Assessments, contract audits, and procurement Reviews. The Authority evaluates the level of compliance with the Procurement Law 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 5: 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 compliance	30-70%	Moderate
3	81-99%	Above Average compliance	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 PE is low and the risk for not achieving value for money expended through public procurement is high.

(a) Procurement Assessments

During the year under review, the Authority conducted nine (9) procurement assessments. The average compliance levels of the procurement entities where the Authority conducted procurement assessments was **43.5%** which is considered non-compliant and a risk level of **56.5%**.

Key strengths from the findings of the assessment include establishment of procurement function and annual procurement planning. The weaknesses noted in the procuring entities include: poor maintenance of procurement records; standard tender documents were not used and the specifications and evaluation criteria in quotation documents issued to bidders were inadequate; some Heads of Procurement function did not prepare professional opinions as prescribed, failure by PE's to mandatory reports to the Authority; failure to publish and publicize contract awards as prescribed, lack of Procurement and Asset Disposal Manual and in the evaluation of tenders.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

(b) Compliance Monitoring through Contract Audits

During the period under review, the Authority conducted contract audits in one hundred and eleven (111) procuring entities. The **compliance level** for the audited PEs was **54.3%** and **risk ratings** was **45.7%**.

Some of the common strengths that were identified in the procurement system in most of the PEs that were audited include: establishment of Procurement functions; establishment various committees on procurement processes; Heads of Procurement functions prepared professional opinions and submitted them to the Accounting Officer and the PEs used standard tender documents.

On the other hand, some of the common weaknesses found were:

- i. Lack of internal procurement and asset disposal operations manual, and for the PEs which had Procurement and Asset Disposal Manual/policies, the manuals/policies needed to be aligned with the Public Procurement and Asset Disposal Regulations, 2020.
- ii. None of the PEs maintained complete procurement and contract files with all the relevant procurement records as envisaged by the Public Procurement Records Management Procedures Manual (2010).
- iii. Delayed payment of completed contracts thus risking loss of public funds in the event the contractors invoked the provision of Section 140 of the Act on delayed payments.
- iv. Failure by Heads of Procurement functions to prepare monthly progress reports on all contracts and submitting them to the Accounting Officers pursuant to Section 152 of the PPADA.
- v. Failure to publish and publicize contract awards as required by Section 138 of the Act and Regulations, PPRA Circular No.1/2016 of 16thDecember, 2016 and Executive Order No. 2 of 28thJune, 2018.
- vi. Failure by Accounting Officers to appoint Disposal Committees/inactive Disposal Committees leading to accumulation of obsolete/unserviceable assets.
- vii. Procurements for goods and equipment to combat covid-19 pandemic had various weaknesses like procurement of equipment that could not be used immediately upon being delivered due to lack of facilities to hold the equipment and qualified personnel to operate the equipment.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

(c) Procurement Reviews

A procurement reviews is a comprehensive audit of the procurement and disposal activities of a procuring entity for a specified period of time to ascertain their compliance with the Public Procurement Law. The key indicators used in procurement reviews were institutional arrangements, procurement and disposal procedures, and inventory management.

During FY 2020/2021, the Authority conducted procurement reviews in ten (10) PEs whose average compliance rating was 55.6% and risk rating was 44.4%. The strengths noticed among Pes where reviews were conducted include: establishment of procurement functions, procurement planning, establishment of various committees on procurement operations, use of standard tender documents and preparation of professional opinions by Heads of Procurement functions and contract formation.

On the other hand, the common weaknesses identified were in the preparation of the tender documents issued to the bidders, tender opening and in the evaluation of tenders.

(d) Follow-Ups on Implementation of Recommendations

The Authority conducted inspections and follow-ups at eight (8) PEs. The purpose of the inspections and follow-ups was to ascertain the extent to which the PEs comply with the procurement law and had implemented the recommendations made by Authority to address the non-compliance issues identified in their procurement system during earlier audits. From the follow-up, the PE attained a compliance score of **58.2%** with a corresponding risk score of **41.8%**.

2.2 Strategic Objective 2: To Enhance Enforcement of the Public Procurement and Asset Disposal Standards

The Authority is mandated under sections **9** and **35** of the Act to investigate and act on complaints received on public procurement and asset disposal proceedings and enforce standards developed under the Act.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

2.2.1 Complaints Management

The Authority is committed to a positive complaint management environment and employs an accountable, transparent, timely and fair resolution of complaints lodged. The Authority recognises that effective complaints management is essential to improving our customer service.

During the year ended 30th June 2021, the Authority received **302** complaints out of which **251** were resolved while **51** were pending by the end of the year. A summary of the complaints received and status are presented in the table below.

Table 6: Summary of Complaints

Category of Procuring Entities	Complaints Received	Complaints Resolved	Complaints Pending
State Corporations and SAGAs	133	113	20
County Executives & Assemblies	67	56	11
Public Universities & Colleges	21	18	3
Constitutional Commissions and Independent Offices	23	17	6
Ministries and State Departments	36	29	7
Polytechnics, Technical Training Institutions & Schools	17	14	3
NGCDFs	5	4	1
Total	302	251	51

Nature of Complaints Lodged with the Authority

An analysis of the complaints of the complaints received during the period under review showed that they fall in the following broad categories:

Table 7: Summary of Nature of Complaints

S/No	Nature of Complaint	Qty
1	Request for a review of procurement processes	58
2	Flaws in tender evaluation and specifications	105
3	Alleged breach of contracts	27
4	Alleged corruption during procurement proceedings	47
5	Delayed payments	38
6	Notification of awards	27
	Total	302

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

2.2.2 Investigations

During the period under review, the Authority commenced investigations into twelve cases. All the cases were concluded in the course of the year and investigation reports shared with relevant Government agencies.

2.2.3 Debarment

Section 41 of the Act mandates the Regulatory Board to debar suppliers/contractors from participating in public procurement and asset disposal proceedings on various grounds. During the period under review, ten (10) requests for debarment were received, out of which seven (7) were heard and determined, one (1) case was withdrawn and two (2) were pending.

2.3 Strategic Objective 3: To Conduct Quality Research on Public Procurement and Asset Disposal Issues for Enhanced Service Delivery

The Authority has over the years, in collaboration with the Kenya National Bureau of Statistics (KNBS) collected data on the market prices and prepared the market price index for use by the procuring entities and other stakeholders.

In order to ensure that changes in the procurement environment and in the specifications of the items whose prices are collected are taken into account, the Authority commenced the process of reviewing the list of the common user items including the methodology of undertaking the assignment. A technical committee consisting of officers drawn from different agencies was formed with the aim of delivering a comprehensive list of standard goods and services accompanied by detailed specifications, performance standards and identification codes.

In addition, the Authority with technical assistance from GIZ partnered with the Kenya National Bureau of Statistics to undertake a market prices survey for purposes of preparing the market price reference guide for priority items for Management of Corona Virus (Covid-19). PPRA published the results of the survey in its website for ease of access by stakeholders.

During the year under review, the Authority published two (2) market reference guides.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

2.4 Strategic Objective 4: To Strengthen the Public Procurement and Asset Disposal Legal and Regulatory Framework

The Authority is mandated under section 9 of the Act to: conduct research on public procurement; provide advisory services and technical support upon request; and monitor, evaluate and report on the performance of the public procurement and asset disposal system.

2.4.1 Provision of Advisory Services

(a) Requests for Advice

The Authority receives requests for advice in either written form, telephone calls or walk-ins (visits to the Authority's offices). During the period under review, the Authority received **126** requests for advice out of which **123** were addressed and **3** were pending as at end of the year. Distribution of the requests for advice by source is as shown below.

Table 8: Summary of Requests for advice

Category of PEs	Q1	Q2	Q3	Q4	Total
State Corporations and SAGAs	7	9	15	11	42
Ministries and State Departments	3	4	5	1	13
Commissions and independent offices	4	0	2	4	10
Public Universities, Colleges, Polytechnics & Schools	4	5	3	2	14
County Executives	3	2	3	3	11
County Assemblies	2	2	0	2	6
Other entities	10	6	4	10	30
Total	33	28	32	33	126

(b) Duration of Issuance of Requests for Advice

The table below summarizes time taken by the Authority to issue written advices to different entities that made such requests. Majority of the requests (**91**) were handled within 30 days, whereas the remaining **32** were issued after 30 days due to consultations with stakeholders to facilitate issuance of informed guidance.

Table 2: Duration of Issuance of Requests for Advice

Range (Days)	Q1	Q2	Q3	Q4	Total
1 – 15	7	9	24	14	54
15 – 30	16	7	5	9	37
30 +	10	12	3	7	32
Total	33	28	32	30	123

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

(c) Major areas of Requests for Advice

The most common areas where different entities sought advices included, contract management, need identification, evaluation of tenders, cases of single bid responses, extension of contracts and other contract management issues

2.4.2 Request for Transfer of Procurement Responsibility

Pursuant to 52(1) of the Act, the Authority has power to transfer the procuring responsibility of a procuring entity to another procuring entity or procuring agent in the event of delay or in such other circumstances as prescribed in the Regulations. Further, Section 52 (2) of the Act provides that a procuring entity can make arrangements to enable another procuring entity to carry out the procurement or part of the procurement, on its behalf subject to the approval of the governing body of the organ or entity, where applicable or upon recommendation of the Authority. During the year under review, the Authority received two (2) requests for transfer of procurement responsibility. The requests were duly granted.

2.4.3 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 from procuring entities in cases where an Alternative Selection Method for procurement of consultancy services is selected. During the year ended 30th June 2021, the Authority received requests for approval of alternative selection method for consultancy services from ten (10) Procuring entities.

2.4.4 Development of the Green Public Procurement Framework

The Authority was brought on board to spearhead the implementation of output 2: Green procurement of goods and services undertaken by public entities under the Green Growth and Employment Programme (GGEP, 2016-2020) spearheaded by the Ministry of Environment and Forestry with the support of the Danish Embassy.

The Authority reviewed the draft Green Public Procurement Framework and provided comments to the consultant. The final Framework will be disseminated once stakeholder consultations and validation are completed.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

2.4.5 Programme for Strengthening Governance for Enabling Service Delivery and Public Investments in Kenya (GESDEK)

The Government in 2017 commenced the process of aligning the existing e-procurement system to the provisions of the Act. To this end, the Government entered into a financing agreement with the World Bank towards the support of the Program to Strengthen Governance for Enabling Service Delivery and Public Investments (GESDEK) in Kenya. The programme has six (6) result areas, amongst which the Authority is a member of the result area 3 on *Efficient and Transparent Public Procurement*.

During the quarter, the team reviewed and finalized the Business Processes as well the business and functional requirements for the e-Government Procurement System. Stakeholder consultations on the final draft of the e-Government Procurement Strategy were also undertaken.

2.4.6 Strengthening the Public Procurement and Asset Disposal Regulatory Framework

a) Mandatory Reporting Requirements for Procuring Entities

The Authority noted that, despite the requirements of the Act and Regulations on mandatory reporting and the directives contained in the Executive Order No. 2 of 2018 and PPRA Circular No. 1/2016, most procuring entities have failed to submit the reports and to publish details of the required information as directed.

To that effect, on 22nd April, 2021, the Authority brought to the attention of all procuring entities the various reports to be submitted to the Authority as required under the Act and the Regulations, 2020; and to be published in the Public Procurement Information Portal (PIIP), vide PPRA Circular No. 01/2021. The reporting formats accompanying the Circular are available in the Authority's website: www.ppra.go.ke.

b) Issuance of Standard Tender Documents & Formats Aligned to the Public Procurement and Asset Disposal Act, 2015 and Regulations, 2020

Section 9(1)(f), 58 and 70 of the Acts vest the responsibility of development and issuance of standard tender documents and formats with the Authority. The Authority with technical support from GIZ reviewed, updated and developed new Standard tender documents (STDs) and Formats in consideration of changes in the Act, the Regulations and international best practices.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

Pursuant to Section 58(10) and 70(1) of the Act, it is mandatory for all procuring entities to use the standard bid/tender documents and formats in their procurement and asset disposal activities. In that regard, the Authority brought to the attention of all procuring entities the availability of the new standard tender documents and formats via PPRA Circular No. 02/2021 of 22nd April, 2021. The same can be accessed from the Authority's website [www.ppra.go.ke](http://ppra.go.ke) or through the link <http://ppra.go.ke/standard-tender-documents>.

c) Roll-out of the Upgraded Public Procurement Information Portal (PPIP)

The Authority pursuant to the provisions of Sections 96(3)(a) & 138 of the Public Procurement and Asset Disposal Act, 2015 and Regulations 85(2) and 131 of the Regulations 2020 and the Executive Order No. 2 of 2018 developed and rolled out the Public Procurement Information Portal (PPIP) to facilitate publication of tendering opportunities and details of all contracts awarded by procuring entities.

To ensure that the Portal (PPIP) is optimized and meets new requirements suggested by users and stakeholders, the Authority with the support of the Public Financial Management Reforms (PFMR) program engaged a consultant to upgrade the Portal. The upgrade was followed by a pilot phase with users from 19 procuring entities involved. The Authority brought to the attention of all procuring entity users the planned roll-out of the new Portal via PPRA Circular No. 03/2021 of 17th May, 2021. The Portal is available for access by all stakeholders through <https://tenders.go.ke>.

2.5 Strategic Objective 5: To Equip Persons Involved in Public Procurement with Requisite Knowledge and Skills on Public Procurement and Asset Disposal

The Authority is mandated under section 9 of the Act to provide of technical support and training to procuring entities upon request. During the year under review, the Authority received and addressed requests for technical support from thirty-nine (39) procuring entities.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

2.6 Strategic Objective 6: To Leverage and Enhance Partnerships and Collaborations

Sensitization of Counties on the Public Procurement and Asset Disposal Regulations, 2020

During FY 2020/2021, The National Treasury convened sessions for training of County Governments on the Act and Regulations, 2020. The Authority being a key institution in public procurement and asset disposal system, nominated resource persons to participate in the sessions. The second phase of the training sessions covered 30 counties and targeted all persons involved in public procurement and asset disposal processes. Approximately 2,400 participants were trained during the exercise that lasted 30 days.

2.7 Institutional Capacity

The Authority appreciates that a strong institutional capacity is necessary for effective and efficient execution of its mandate and service delivery to all stakeholders. To ensure this the Authority continued to invest in improvement and upgrading of ICT systems as it leverages on technology for service delivery and training its human capital to equip them with requisite skills and competencies for improved productivity.

3. CHALLENGES

The Authority is currently faced with three major challenges

- i. Staffing levels:** The Authority does not have adequate staff to fully execute its mandate. The Authority's staff complement stood at 71 employees as at 30th June, 2021. The numbers are inadequate to deliver on the huge mandate bestowed on the Authority of regulating public procurement and asset disposal and monitoring how each of the over 30,000 procuring entities undertake the public procurement and asset disposal proceedings.
- ii. Funding:** The mandate of PPRA is has greatly expanded compared to that of its predecessor the Public Procurement Oversight Authority (PPOA) which had been established under the PPDA, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

The Authority relies of Government funding which has remained low over the years. Due to underfunding, the Authority has not been able to effectively deliver on its mandate.

The mitigation measures undertaken include: prudent financial management, collaboration with development partners, implementation of the internal revenue generation strategies, and lobbying for additional government funding.

- iii. Office Space:** The leased office space at the National Bank building, Nairobi that houses PPRA's headquarters is inadequate to accommodate the staff complement of the Authority and the operations of the Public Procurement Administrative Review Board. This challenge has adversely impacted on the health and safety of the workforce, security of records and the needs of the growing number of staff arising from the expanded mandate of the Authority.

That notwithstanding, there have been ongoing negotiations between PPRA, the National Treasury and the Kenya Institute of Supplies Management (KISM) to provide PPRA with office space at the KISM Towers along Ngong Road in Nairobi.

4. RISK MANAGEMENT

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

In the year under review, the Authority continued to implement the various mitigation strategies to ensure that the risk levels are minimized. The Authority's Risk Policy, Procedures and Registers were reviewed and aligned to the current strategic themes and objectives. The Board, Management and Staff were also trained on risk management practices. The Authority's risk framework was updated and the mitigation strategies are continually being implemented.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

Key risks facing the Authority

The key risks facing the Authority and the mitigation measures being implemented include;

- i. Compliance monitoring risk:** While undertaking its mandate of monitoring the public procurement system and reporting on its overall functioning, the Authority has been challenged in so far as establishing the compliance levels is 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 regulators; and the development and operationalization of an ICT based monitoring & evaluation system.
- ii. Inadequate funding:** Over the years, the Authority's budgetary allocation has always fallen far short of its resource requirements to enable it effectively discharge its mandate. As a result the Authority has had to curtail on planned activities to work within available resources. This has hindered it from operating at its optimum potential. The mitigation measures include; prudent financial management; diversification of revenue sources/streams; and lobbying for additional government funding.
- iii. Reputational risks:** The Authority is exposed to potential negative publicity; whether true or false. This may have a negative impact on its services or lead to costly litigations. The mitigation strategies include having a clear understanding of the Authority's mandate amongst the internal & external stakeholders; review of the service charter and sharing it with all the stakeholders; implementation of customer feedback; Communicating and enforcing the Authority's Code of Conduct and Ethics; and developing and implementing the anti- corruption and whistle blowing policy.

MANAGEMENT DISCUSSION AND ANALYSIS CONTINUED

- iv. Litigation risks:** The Authority is exposed to litigation arising from execution of its mandate. The mitigation strategies include strengthening of the Authority's legal capacity; acquisition of relevant insurance covers; promotion of alternative dispute resolution channels; and having a robust case management system for the Public Procurement Administrative Review Board.
- v. Occupational, Safety, Health and environmental risks:** The Authority has been expanding and thus the number of staff has increased leading to office space constraint as the available space is not adequate to comfortably accommodate current staff numbers. 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.

ENVIRONMENTAL & SUSTAINABILITY REPORTING

Corporate Social Responsibility/Community Engagements

In line with the Presidential directive dated 4th June 2018 on “inclusion of tree planting in Corporate Social Responsibilities activities” and towards the national requirement on attainment of 10% tree cover by 2022, PPRA partnered with Kenya Forest Service (KFS) and established an ideal tree planting project dubbed “Adopting a forest”. This project will see PPRA establish and maintain its own area of natural forest for five years.

During the financial year, the Authority undertook a tree planting activity in Kimondi Forest station, Nandi region on 29th June 2021.



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Authority's affairs.

Principal activities

The principal activities of the Authority are outlined on page 3 of this report.

Results

The results of the Authority for the year ended June 30, 2021 and accompanying notes are set out on pages 55 to 85.

Directors

The members of the Public Procurement Regulatory Board who served during the year are shown on pages 8 to 12 while members of the Public Procurement Administrative Review Board who served during the year are shown on pages 13 to 19.

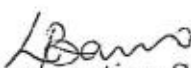
Dividends/Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority did not make any surplus during the year under review and hence no remittance to the Consolidated Fund.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board


Corporation Secretary
Nairobi

Date: 30/5/2022

STATEMENT OF DIRECTORS' RESPONSIBILITY

Section 81 of the Public Finance Management Act, 2012 and Section 25 of the Public Procurement and Asset Disposal Act, 2015 require the Directors to prepare financial statements in respect of PPRA, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results for that year/period. The Directors are also required to ensure that PPRA keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

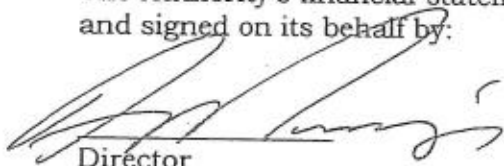
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of its state of affairs for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial 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 Authority; (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 the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Public Procurement and Asset Disposal Act 2015. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of its transactions during the financial year ended June 30, 2021, and of the financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain 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 Board on 15th September 2021 and signed on its behalf by:



Director



Director

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PUBLIC PROCUREMENT REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Public Procurement Regulatory Authority set out on pages 55 to 86, which comprise of the statement of financial position

as at 30 June, 2021, the statement of financial performance, statement of changes in net assets, statement of cash flows, the statement of comparison of budget and actual amounts 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 and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Public Procurement Regulatory Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Procurement and Assets Disposal Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Board Expenses

1.1 Unsupported Board Expenses

The statement of financial performance reflects board expenses amounting to Kshs.46,218,233 also disclosed in Note 11 to the financial statements. However, schedules supporting the expenditure provided for audit review reflected Kshs.45,066,422, resulting in unexplained and unreconciled variance of Kshs.1,151,811.

In the circumstances, the accuracy and completeness of board expenses amounting to Kshs.46,218,233 reflected in the financial statements could not be confirmed.

1.2 Unauthorized Expenditure on Board Allowances

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects board expenses amounting to Kshs.46,218,233 against approved budget for the financial year of Kshs.36,904,800 resulting to unbudgeted spending amounting to Kshs.9,313,433. Although the Management has stated that the over expenditure was due to increased public procurement dispute cases than was projected, no evidence was provided of any supplementary budget approval from the Board of Directors and The National Treasury.

In the circumstances, the accuracy of the board expenses amounting to Kshs.46,218,233 and the regularity of the expenditure amounting to Kshs.9,313,433 over the approved budget could not be ascertained.

2.0 Rent and Utilities Expenses

The statement of financial performance reflects general expenses amounting to Kshs.88,858,430 as disclosed in Note 12 to the financial statements. Included in the amount is Kshs.18,476,102 in respect of rent and utilities. However, the expenditure

excludes accrued service charge amounting to Kshs.8,157,952 which was reflected in the provisions ledger.

Consequently, the accuracy and completeness of rent and utilities expenditure amounting to Kshs.18,476,102 could not be confirmed.

3.0 Provisions

The statement of financial position as at 30 June, 2021 reflects provisions of Kshs.20,676,200 as disclosed in Note 24 to the financial statements. However, the schedule supporting the balance reflects a total of Kshs.15,179,605 in respect of provision for audit fees and outstanding staff leave days resulting in an unreconciled variance of Kshs.5,496,595.

In the circumstances, the accuracy and completeness of the provisions balance as at 30 June, 2021 could not be ascertained.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Public Procurement Regulatory Authority Management in accordance with ISSAI 130 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 qualified opinion.

Emphasis of Matter

Poor Financial Performance

The statement of financial performance for the year ended 30 June, 2021 reflects a deficit of Kshs.29,001,007 (2020 - Kshs.28,828,791), an indication that the Authority was experiencing operational challenges which led losses totalling Kshs.57,829,798 in two consecutive years. The trend casts doubt on the Authority's ability to continue to sustain services. Should Management fail to put strategies in place to reverse the trend, the Authority may experience further financial difficulties and may not meet its obligations as and when they fall due.

My opinion is not qualified on the effects of the above matter.

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. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflect final revenue budget and actual on comparable basis amounting to Kshs.443,269,951 and Kshs.385,675,335

respectively resulting in an under-funding of Kshs.57,594,616 or 4% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.443,269,951 and Kshs.367,678,719 respectively resulting in an under-expenditure of Kshs.75,591,232 or 17% of the budget.

Further, there was no itemized budget accompanying the financial statements presented for audit review and therefore, it was not possible to perform an itemized budget performance analysis. This is contrary to Paragraph 32 of IPSAS 24 - Presentation of budget information in financial statements which require that the comparison of budget and actual amounts will be presented on the same accounting basis (accrual, cash or other basis), same classification basis and for the same entities and period as for the approved budget.

Based on the approved estimates, under-funding and under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: AG.4/16/2 Vol.3(72) dated 30 June, 2021

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with the Public Finance Management Act, 2012

The statement of financial position as at 30 June, 2021 reflects receivables from non-exchange transactions amounting to Kshs.4,468,906 which includes outstanding imprest amounting to Kshs.3,948,210. Review of imprest records revealed that the Authority issued multiple imprests to Board members and staff totalling Kshs.2,993,407 contrary to Regulation 93(4)(b) of the Public Finance Management (National Government) Regulations, 2015. The Regulations requires that before issuing temporary imprest, the Accounting Officer shall ensure that the applicant has no outstanding imprests. Further, Management failed to recover long outstanding imprests from staff

members, Board members, and non-staff members totalling to Kshs.2,261,079 some dating back to 2019.

In the circumstances, the Management is in breach of the law.

2. Failure to Remit Taxes

Note 23 to the financial statements reflects other payables balance of Kshs.10,695,720. Included in the balance are various taxes amounting to Kshs.1,339,724 which had been deducted from amounts due to suppliers and contractors, but were not remitted to the Kenya Revenue Authority (KRA) within the statutory timelines. Although Management has indicated that the taxes have now been settled, no explanation was provided on how applicable penalties and interests levied after failure to remit taxes within the statutory deadlines as provided for by the Tax Procedures Act, 2015 will be settled. The Authority is therefore, exposed to incurring interests and penalties levied by KRA which could have been avoided.

In the circumstances, the Management is in breach of the law

3. Failure to Update Fixed Assets Register

Review of fixed asset register for the year ended 30 June, 2021 revealed that the Authority had not updated the register in the last three financial years. As a result, assets disposed prior to 30 June, 2018 comprising six motor vehicles, office partitions and computers remained in the asset register. Further, the asset register did not reflect dates of acquisition, asset status, location and working conditions. In addition, assets procured between 2019 to 2021 had not been tagged making it difficult to be identified. This is contrary to Section 143(1) of the Public Finance Management (National Government) Regulations, 2015 that require the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws.

In the circumstances, the Accounting officer is in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to

believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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 maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors are responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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. 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 and weakness 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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.
- 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 Management's use of the applicable 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 to sustain its services. 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 and business activities of the Authority 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 June, 2022

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30TH JUNE 2021**

		2021	2020
	Note	Ksh	Ksh
Revenue from non-exchange transactions			
Unconditional Government Grants	6	306,987,152	340,000,000
Revenue from exchange transactions			
Rendering of services	7	23,979,983	22,125,022
Finance Income	8	19,175	8,200,800
Other Income	9	4,689,025	0
Total Revenue from exchange transactions		28,688,183	30,325,822
Total Revenue		335,675,335	370,325,822
EXPENSES			
Employee Costs	10	199,468,837	202,592,133
Board Expenses	11	46,218,233	45,157,774
General Expenses	12	88,858,430	105,332,131
Repairs and Maintenance	13	2,970,885	3,126,404
Contracted Services	14	14,325,216	32,932,314
Finance Costs	15	0	0
Depreciation and Amortization	16	12,180,468	10,013,857
Total Expenses		364,022,069	399,154,613
Surplus / (Deficit) for the year before extra ordinary item		(28,346,734)	(28,828,791)
Extraordinary item	27	(654,273)	0
Surplus / (Deficit) for the year after extraordinary item		(29,001,007)	(28,828,791)

The notes set out on pages 62 to 85 form an integral part of the financial statements.

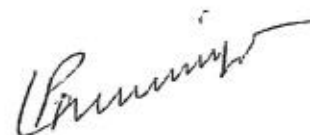
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2021

		2021	2020
	Note	Ksh	Ksh
ASSETS			
Current Assets			
Cash and cash equivalents	17	154,683,728	193,192,905
Receivables from exchange transactions	18	24,278,860	11,486,290
Receivables from non-exchange transactions	19	61,962,181	7,572,159
Total Current Assets		240,924,769	212,251,354
Non- current Assets			
Property, Plant and Equipment	20	7,856,737	9,644,819
Intangible Assets	21	8,136,676	15,526,685
Work In Progress	22	0	945,000
Total Non-Current Assets		15,993,413	26,116,504
Total Assets		256,918,182	238,367,858
LIABILITIES			
Current Liabilities			
Trade & Other Payables from exchange transactions	23	18,571,530	21,020,199
Provisions	24	20,676,200	20,676,200
Deferred income	25	50,000,000	0
Total current liabilities		89,247,730	41,696,399
Net Assets			
Accumulated Fund	26	167,670,452	196,671,459
Total Net Assets and Liabilities		256,918,182	238,367,858

The financial statements and accompanying notes on page 55 to 85 were signed on behalf of the Authority by:



Mr Andrew M. Musangi
Chairman, PPRB



Ms Pauline O. Obonyo
Ag. Director General

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30TH JUNE 2021**

	Notes	Accumulated Fund	Revaluation Reserve	Retained Earnings	Capital/ Development Grants/Fund	Total
		Ksh	Ksh	Ksh	Ksh	Ksh
Balance at 01.07.2019		439,602,015	0	0	0	439,602,015
Transfers to Other Govt Institutions		(214,080,700)	0	0	0	(214,080,700)
Capital/Development Grants/Fund received during the year		0	0	0	0	0
Adjustment for leave provision		(21,065)	0	0	0	(21,065)
Surplus for the year		(28,828,791)	0	0	0	(28,828,791)
Balance at 30.06.2020		196,671,459				196,671,459
Transfers to Other Govt Institutions		0	0	0	0	0
Capital/Development Grants/Fund received during the year	25	0	0	0	50,000,000	50,000,000
Surplus for the year		(29,001,007)	0	0	0	(29,001,007)
Balance at 30.06.2021		167,670,452	0	0	50,000,000	217,607,452

Note:

- PPRA Net Assets of Ksh 75,811,796 includes a development grant of Ksh 50 million for partition of office space at KISM Towers.
- PPRA Staff loans scheme net assets are Ksh 99,978,270

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2021

		2021	2020
	Note	Ksh	Ksh
Unconditional Government Grants	6	306,987,152	340,000,000
Rendering of services	7	23,979,983	22,125,022
Finance Income	8	19,175	8,200,800
Other Income	9	4,689,025	0
Total Revenue from exchange transactions		28,688,183	30,325,822
Total Revenue		335,675,335	370,325,822
EXPENSES			
Employee Costs	10	199,468,837	202,592,133
Board Expenses	11	46,218,233	45,157,774
General Expenses	12	88,858,430	105,332,131
Repairs and Maintenance	13	2,970,885	3,126,404
Contracted Services	14	14,325,216	32,932,314
Finance Costs	15	0	0
Depreciation and Amortization	16	12,180,468	10,013,857
Total Expenses		364,022,069	399,154,613
Surplus / (Deficit)		(28,346,734)	(28,828,791)
Extra-ordinary item	27	(654,273)	0
		(29,001,007)	(28,828,791)
Adjusted for:			
Depreciation and Amortization	16	12,180,468	10,013,857
Extra-ordinary item	27	654,273	0
Cash flows from operating activities before working capital changes		(16,166,266)	(18,814,934)
Increase/(Decrease) in trade & other payables		(2,448,669)	(10,258,286)
Increase/(Decrease) in deferred income		50,000,000	0
Increase/(Decrease) in Provisions		0	106,833
Decrease/(Increase) in receivables from exchange transactions		(12,792,570)	10,783,879

Public Procurement Regulatory Authority
Financial Statements for the Year Ended 30 June 2021

Decrease/(Increase) in receivables from non-exchange transactions		(54,390,022)	(685,254)
Decrease/(Increase) in work-in-progress		945,000	0
Net Cash flows from Operating Activities		(34,852,527)	(18,867,762)
Other Cash flows			
Transfers from other Government Institutions		0	160,600,000
Insurance refund/compensation		0	85,767
GPA funds received		616,026	4,060,000
GPA funds paid out		(616,026)	(4,160,000)
Transfers to other Government Institutions		0	(600,00,000)
Net other cash flows		0	(439,414,233)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of tangible assets		(3,656,650)	(1,038,495)
Acquisition of intangible assets		0	(8,793,883)
Net cash flow from Investing Activities		(3,656,650)	(9,832,378)
Net changes in Cash and Cash Equivalents		(38,509,177)	(468,114,373)
Cash & Cash Equivalents opening balance		193,192,905	661,307,278
Cash & Cash Equivalents closing balance		154,683,728	193,192,905

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2021

Revenue	Note	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Variance	Utilization	Footnote
		Ksh			Ksh			
Recurrent Government Grants	6	349,487,151	0	349,487,151	306,987,152	(42,499,999)	88%	a
Development Government Grants	25	50,000,000	0	50,000,000	50,000,000	0	100%	
Rendering of services	7	14,900,000	5,100,000	20,000,000	23,979,983	3,979,983	120%	b
Finance Income	8	0	4,400,000	4,400,000	19,175	(4,380,825)	0%	
Other income	9	0	0	0	4,689,025	4,689,025		
Revenue Reserve		0	19,382,800	19,382,800	0	(19,382,800)	0%	
Total Revenue		364,387,151	28,882,800	443,269,951	385,675,335	(57,594,616)	96%	
Expenses								
Employee Costs	10	207,300,000	0	207,300,000	199,468,837	7,831,163	96%	
Board Expenses	11	26,122,000	10,782,800	36,904,800	46,218,233	(9,313,433)	125%	c
General Expenses	12	104,550,000	0	104,550,000	88,858,430	15,691,570	85%	d
Repairs and Maintenance	13	5,015,000	0	5,015,000	2,970,885	2,044,115	59%	e
Contracted Services	14	9,100,000	5,100,000	14,200,000	14,325,216	(125,216)	101%	
Finance Costs	15	300,151	0	300,151	0	300,151	0%	
Depreciation and Amortization	16	0	0	0	12,180,468	(12,180,468)		
Purchase of Tangible Assets	20	10,000,000	13,000,000	23,000,000	3,656,650	19,343,350	16%	f
Purchase of Intangible Assets	21	2,000,000	0	2,000,000	0	2,000,000	0%	g
Partitioning of Office Space – KISM Towers	25	50,000,000	0	50,000,000	0	50,000,000	0%	h
Total Expenses		364,387,151	28,882,800	443,269,951	367,678,719	75,591,232	83%	

- a) Recurrent Government grants:** The Authority did not receive the full exchequer for Q4 of FY 2020/2021. During Q4, PPRA received exchequer grant of Ksh 44,871,788.15 against expectation of Ksh 87,371,787.90.
- b) Rendering of services:** The value of cases filed for review at the Review Board was higher than had been projected resulting in higher than projected filing fee.
- c) Board expenses:** The expenses for the Review Board which is a tribunal were higher than anticipated.

- f) **Tangible assets:** The Authority had committed funds for purchase of a server and also paid for delivery of a vehicle. Both assets had not been delivered as at 30th June 2021 thus the funds had not been expensed.

Reconciliation of Expenses as per Statement of Financial Performance and Statement of Comparison of Budget Vs Actual

Details	Ksh
Total expenses as per statement of Comparison of budget vs actual	367,678,719
Less: Purchase of assets	3,656,650
Total expenses as per statement of financial performance	364,022,069

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Public Procurement Regulatory Authority (the Authority) is established under Section 8 (1) of the Public Procurement and Disposal Act, 2015. PPRA is domiciled in Kenya and has regional offices in Mombasa, Kisumu and Eldoret. The Authority is mandated 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.

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 Authority. 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 indirect method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with

Standard	Effective date and impact:
	<p>more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

Standard	Effective date and impact:
IPSAS 42: Social Benefits	Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.

ii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2021.

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 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 CONTINUED

b) Budget information

The original budget for FY 2020 - 2021 was approved by the management of the Authority. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

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

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or an 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 an 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)

h (ii) 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

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 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 Authority 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 Authority, or vice versa. Members of key management are regarded as related parties and comprise Managers and Directors including the Director General.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The following transactions were carried out with related parties:

- i. Public Procurement Regulatory Board:** This is the Board that oversees the operations and governance of the Authority. The Board is responsible for providing strategic direction, approval of policies and overall governance of the Authority.
- ii. Public Procurement Administrative Review Board:** The Authority has a duty to provide Secretariat and administrative services as well budgetary support to the Review.
- iii. Management team:** The management team oversees the day to day operations of the Authority and also has the responsibility of formulating policies that govern operations of the Authority.
- iv. Kenya Institute of Supplies Management (KISM):** The National Treasury has been allocating KISM part of the funds appropriated to PPRA by Parliament.
- v. Government of Kenya and The National Treasury:** The Authority is a Government institution wholly owned by the Government of Kenya. The National Treasury is the parent ministry. The Authority relies on GoK for funding with GoK funds making up 97% of its annual revenues. During the year under review, the Authority received GoK budget funding of Ksh 306,987,152 against an allocation of Ksh 349,487,151.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

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.

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, 2018.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. Unconditional Government Grants

Operational grants Government of Kenya funding of PPRA operations through Exchequer during the financial year.

	2021	2020
	Ksh	Ksh
Operational Grant	306,987,152	340,000,000

7. Rendering Services

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

	2021	2020
	Ksh	Ksh
Income from appeals	23,979,983	22,125,022

8. Finance Income

The interest income earned during the financial year is for the staff loans scheme and not normal operations of the Authority.

	2021	2020
	Ksh	Ksh
Interest Income	19,175	8,200,800

The interest income was earned from loans to staff.

9. Other Income

This includes income from the sources listed below:

	2021	2020
	Ksh	Ksh
Other income	4,689,025	0

Other income comprises of Ksh 4,689,025 on the NBK account which includes Ksh 4.4m received as insurance compensation for fully depreciated vehicle that had an accident and was written off.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. Employee Costs

This comprises of the staff personnel emoluments and employer pension contribution. A breakdown of the employee costs is as shown below:

	2021	2020
	Ksh	Ksh
Salaries and wages	122,657,467	124,328,000
Housing benefits & allowances	51,886,323	52,612,333
Pension & Gratuity contributions	24,925,047	25,651,800
Total	<u>199,468,837</u>	<u>202,592,133</u>

11. Board Expenses

This comprises of costs related to the Public Procurement Regulatory Board and the Public Procurement Administrative Review Board.

	2021	2020
	Ksh	Ksh
Administrative Review Board other expenses	3,716,053	7,360,972
Administrative Review Board Emoluments	30,164,000	28,404,000
Regulatory Board other expenses	3,978,180	2,392,802
Regulatory Board Emoluments	8,360,000	7,000,000
Total	<u>46,218,233</u>	<u>45,157,774</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. General Expenses

Below are the general expenses of the Authority.

	2021	2020
Description	Ksh	Ksh
Advertising	3,238,698	244,152
Bank charges	264,505	298,170
Branding PPRA	107,120	409,210
Car Park expenses	3,312,000	7,934,400
Catering	1,411,756	2,465,475
Club membership	355,000	210,500
Conference and delegations	1,272,268	3,392,240
Consumables	376,065	27,390
Corporate Security & Safety Management	0	561,100
Corporate Social Investment	416,300	0
Disposal expenses	17,500	0
Fuel and Oil	762,000	732,950
Insurance Costs	20,940,656	20,304,494
ISO expenses	377,000	0
Knowledge management	0	743,000
Legal expenses	612,110	5,500
Office Expenses	1,045,326	1,312,647
Printing & stationery	1,593,237	3,360,112
PPRA staff loans scheme expense	40,000	0
Rent & utilities	18,476,102	18,006,036
Software upgrades and licences	426,400	1,493,019
Staff welfare	2,806,800	1,445,520
Telecommunication	5,699,537	7,500,000
Trade shows and exhibitions	5,000	293,000
Training	2,730,064	5,116,937
Travel & accommodation	22,572,986	29,476,279
Total	88,858,430	105,033,961

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. Repairs and Maintenance

The Authority spent Ksh 2,939,885 on maintenance of vehicles, equipment, computers and general maintenance. A breakdown of the expenditure is shown below:

	2021	2020
	Ksh	Ksh
Vehicles	748,790	1,024,554
Equipment	2,076,522	1,982,720
Property	145,573	119,130
Total	2,970,885	3,126,404

14. Contracted Services

These are services outsourced by the Authority.

	2021	2020
	Ksh	Ksh
Audit fees	858,400	858,400
Cleaning Services Fees	2,284,308	2,394,020
Guarding Services	836,768	21874
Consultancy Fees	10,345,740	29,658,020
Total	14,325,216	32,932,314

15. Finance Costs

These consist of costs associated with access to credit or other funding opportunities.

	2021	2020
	Ksh	Ksh
Bank charges	0	0

The Authority did not have any finance costs during the period under review.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

16. Depreciation and Amortization

The depreciation charge for the year comprises of:

	2021	2020
	Ksh	Ksh
Property and equipment	4,790,459	7,008,226
Intangible assets	7,390,009	3,005,631
Total	12,180,468	10,013,857

17. Cash and cash equivalents

	2021	2020
	Ksh	Ksh
NBK Account	56,283,092	93,192,768
KCB Account	98,400,636	100,000,000
Cash on hand and in transit	0	137
Total	154,683,728	193,192,905

18. Receivables from exchange transactions

	2021	2020
	Ksh	Ksh
Prepayments	13,135,092	10,863,983
Other receivables	11,128,768	243,307
Refundable Deposits	15,000	379,000
Total	24,278,860	11,486,290

Receivables from exchange transactions of Ksh 11,128,768 comprise of Ksh 9,237,593 for PPRA and Ksh 1,891,175 for loan due from a member of staff for purchase of a vehicle.

19. Receivables from non-exchange transactions

	2021	2020
	PPRA	Ksh
Imprest advance	4,087,693	6,596,017
Salary advance	502,700	976,142
The National Treasury	57,371,788	0
Total	61,962,181	7,572,159

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

20. Property, Plant & Equipment

	Motor Vehicles	Equipment & Computers	Furniture & Fittings	Office Partitions	Total
Cost	Ksh	Ksh	Ksh	Ksh	Ksh
At 1st July 2019	68,041,313	65,450,703	16,974,005	45,158,490	195,624,511
Additions	0	629,500	408,995	0	1,038,495
At 30th June 2020	68,041,313	66,080,203	17,383,000	45,158,490	196,663,006
Additions	0	1,561,495	2,095,155	0	3,656,650
At 30th June 2021	68,041,313	67,641,698	19,478,155	45,158,490	200,319,656
Depreciation & Impairment					
At 1st July 2019	67,709,591	55,756,779	12,430,147	44,113,444	180,009,961
Depreciation	331,722	5,502,228	921,438	252,838	7,008,226
Transfers/adjustments	0	0	0	0	0
At 30th June 2020	68,041,313	61,259,007	13,351,585	44,366,282	187,018,187
Depreciation	0	3,636,774	1,084,717	68,968	4,790,459
Disposal				654,273	654,273
At 30th June 2021	68,041,313	64,895,781	14,436,302	45,089,523	192,462,919
Net book values					
At 30th June 2021	0	2,745,917	5,041,853	68,967	7,856,737
At 30th June 2020	0	4,821,196	4,031,415	792,208	9,644,819

21. Intangible assets

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

	2021	2020
Cost	Ksh	Ksh
At beginning of the year	58,469,442	44,491,170
Additions	0	13,978,272
At end of the year	58,469,442	58,469,442
Amortization and Impairment		
At beginning of the year	42,942,757	39,937,126
Amortization	7,390,009	3,005,631
At end of the year	50,332,766	42,942,757
Net book value	8,136,676	15,526,685

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

22. Work-In-Progress

Relates to implementation of the Fleet Management System.

	2021	2020
	Ksh	Ksh
Work-In-Progress	0	945,000
Balance	0	945,000

23. Trade & Other Payables from exchange transactions

	2021	2020
	Ksh	Ksh
Trade Payables	7,875,810	9,489,845
Other Payables	10,695,720	11,530,354
Total	18,571,530	21,020,199

Other payables Ksh 10,695,720 comprise of Ksh 10,382,179 for PPRA and Ksh 313,541 being payables for the Loans Scheme.

24. Provisions

Provision made to cater for audit of FY 2019/2020 books of accounts and outstanding staff leave days as at 30th June 2021.

	2021	2020
	Ksh	Ksh
Provisions	20,676,200	20,676,200
Total	20,676,200	20,676,200

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

25. Deferred Income

Is income received for a specific purpose i.e establishment of regional offices which had not been utilized at the end of the financial year.

	2021	2020
	Ksh	Ksh
National Government	50,000,000	0
Total Deferred income	50,000,000	0

The deferred income movement is as follows:

	2021	2020
	Ksh	Ksh
Balance brought forward	0	220,000,000
Additions	50,000,000	0
Transfer to Other Govt Institutions	0	(220,000,000)
Balance carried forward	50,000,000	0

26. Accumulated Fund

The movement in revenue reserves for the year ended 30th June 2021 is shown below:

	2021	2020
	PPRA	Ksh
Balance as at 1st July	196,671,459	439,602,015
Adjustment of provisions	0	(21,065)
Transfers to other Govt Institutions	0	(214,080,700)
Surplus for the year	(29,001,007)	(28,828,791)
Balance as at 30th June	167,670,452	196,671,459

Note:

The accumulated fund amount of Ksh 167,670,452 includes Ksh 99,978,270 for the PPRA Staff Loans Scheme.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

27. Extra-Ordinary item

The Authority's lease of office space at Mombasa Trade Centre ended on 30th June 2020. Consequently, the Authority was required to vacate the offices on 1st July 2020 and remove the partitions. The salvaged items of the partition were disposed through donation to Kenya Ferry Services. The net book value of the partitions as at 1st July 2020 was Ksh 654,273 and this was written off in the books of accounts.

	2021		2020
	PPRA	PPRA LOANS SCHEME	Ksh
Gain/(loss) on disposal	(654,273)	0	0

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.

29. Contingent Assets

The Authority had no contingent assets as at 30th June 2021.

30. Contingent Liabilities

Litigation Matters: As at 30th June 2021, 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.

M/S SPA Infosuv East Africa Ltd

The Authority entered into contract No. PPRA/09/2015-2016 on 12th January 2017 with M/S SPA Infosuv East Africa Ltd to conduct country procurement assessment for a contract price of Ksh. 16,285,000. An amount of Ksh. 3,257,000 was paid to the consultant on 30th April, 2019 in respect of submission of inception report. Audit review of the correspondences between the Authority and the consultant reveals that there is a pending disputed invoice 031019 amounting to Ksh. 13,028,000 which has accrued interest but has not been disclosed as a contingent liability in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

31. Related Party Transactions

The following transactions were carried out with related parties:

- i. Public Procurement Regulatory Board:** This is the Board that oversees the operations and governance of the Authority. The Board is responsible for providing strategic direction, approval of policies and overall governance of the Authority.
- ii. Public Procurement Administrative Review Board:** The Authority has a duty to provide Secretariat and administrative services as well budgetary support to the Review.
- iii. Management team:** The management team oversees the day to day operations of the Authority and also has the responsibility of formulating policies that govern operations of the Authority.
- iv. Kenya Institute of Supplies Management (KISM):** The National Treasury has been allocating KISM part of the funds appropriated to PPRA by Parliament.
- v. Government of Kenya and The National Treasury:** The Authority is a Government institution wholly owned by the Government of Kenya. The National Treasury is the parent ministry. The Authority relies on GoK for funding with GoK funds making up 97% of its annual revenues.

During the year under review, the Authority received GoK budget funding of Ksh 306,987,152 against an allocation of Ksh 349,487,151.

32. 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.

33. Currency

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

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The matters raised by the Office of Auditor General in the audit report for FY 2019/2020 have been substantially addressed. A meeting will be scheduled with the Office of Auditor General for a brief on the actions taken to address the matters.

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 2019/20 audit report	Irregular funding of Kenya Institute of Supplies Management				
	Wasteful expenditure on rent and service charge				
	Irregular stay in office post expiry of service contract				

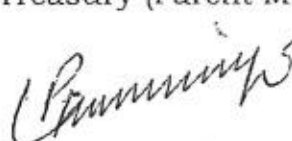
APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

There was no capital project under implementation during FY 2020/2021.


APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME: PUBLIC PROCUREMENT REGULATORY AUTHORITY				
Breakdown of Transfers from The National Treasury				
FY 2020/2021				
a	Recurrent Grants			
	Details	Bank Statement Date	Amount Ksh	FY to which amount relates
	Quarter 1 Exchequer	20-Aug-2020	87,371,787.90	FY 2020/2021
	Quarter 2 Exchequer	19-Oct-2020	87,371,787.90	FY 2020/2021
	Quarter 3 Exchequer	12-Feb-2021	87,371,787.90	FY 2020/2021
	Quarter 4 Exchequer	05-Jul-2021	44,871,788.15	FY 2020/2021
	Total		306,987,151.85	
b	Development Grants			
	Details	Bank Statement Date	Amount Ksh	FY to which amount relates
	Quarter 1 Exchequer	20-Aug-2020	12,500,000.00	FY 2020/2021
	Quarter 2 Exchequer	28-Oct-2020	12,500,000.00	FY 2020/2021
	Quarter 3 Exchequer	12-Feb-2021	12,500,000.00	FY 2020/2021
	Quarter 4 Exchequer	07-Jul-2021	12,500,000.00	FY 2020/2021
	Total		50,000,000.00	

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



Ms Pauline O. Opiyo
Ag. Director General



Mr Chris Sakwa
Manager, Finance