



Press Release

KPC TOPS LIST OF PROFITABLE STATE CORPORATIONS

The Kenya Pipeline Company KPC which is a fully owned State Corporation established in 1978 under the Companies Act has generated over Ksh. 65 Billion in Profits Before Tax over the last 6 years. KPC has also paid over Ksh. 30 Billion in taxes over the stated period and continues to pay dividends to the Government which is its only shareholder.

KPC has also undertaken to support the government's Early Oil Program and has since taken over the facilities of the Kenya Petroleum Refinery Limited (KPRL) under 3-year lease agreement. Since taking over the facilities, KPC has enabled KPRL turnaround its operations from an annual loss of Ksh. 800 Million to post profits of Ksh. 400 Million.

While responding to a summons by the Senate Energy Committee, KPC Managing Director Joe Sang indicated that KPC's continued profitability has transformed it into a self-sustaining commercial entity able to finance its operations without relying on the National Treasury for budgetary support.

"KPC is currently the most profitable State Corporation recording an annual growth rate of 8% over the last six years. This has in effect enabled KPC to not only continue meeting its operational obligations but also seek financing for its projects without burdening the taxpayer." Mr. Sang said.

Members of KPC's Board and Management who were responding questioning by the Senate Committee in regard to recent allegations of financial impropriety

indicated that they had taken measures at both Board and Management level to safeguard public funds and flag any irregularities in the management of public funds.

According to Board Chairman John Ngumi, most of the allegations were based on tenders and projects that predated the current board and management teams which have put in place administrative measures and is currently cooperating with investigating authorities to bring the matter to a conclusive end.

“Most of the projects mentioned in these allegations are historical and are therefore legacy issues that the current Board and management of KPC are dealing with. Some of these allegations are currently under investigation by various arms of government. KPC will abide by the recommendations from these government bodies.” Mr. Ngumi said.

Through its corruption risk assessment, the company has identified procurement, budgeting, project management and product handling as key processes which are prone to corruption. In this regard KPC has put in place the following Administrative anticorruption measures:

- **Internal Controls:** The Company has a robust Internal Audit Division headed by a General Manager that continuously monitors the development and implementation of controls to ensure compliance and protection of the company from losses. Recently, the company undertook a review of the design and effectiveness of its controls through an Internal Audit Report to the Ministry of Petroleum & Mining. The business is in the process of implementing the recommendations.
- The company has updated its website with a **Whistle Blower Hotline Telephone Number 0791333222** provided via the Presidential directive. The company has also put in place online channels for Anonymous

Reporting by both employees, key stakeholders and members of the general public.

- KPC continuously undertakes Staff sensitization and education on ethics and governance matters governed by State Corporations' Mwongozo Code and KPC's own code of conduct and ethics. Under the code of conduct which is based on the Public Offers Ethics Act, Rule of law and fostering Public trust employees are subject to Disciplinary action on misconduct.

“The Company is committed to continuously improve the integrity systems to ensure that operational systems are free from loopholes that promote corruption.” Mr. Sang added.

Key measures that KPC has put in place include: Setting up a project management office and project management committee, Enhancement of budgeting process through robust business cases, training of budget champions and business heads, market price surveys and price comparatives; Improvement of procurement process through E-procurement, framework contracts with key manufacturers; due diligence on all vendors and appropriate disclosures made before award. KPC has also undertaken automation of processes while at the same time Strengthening the Internal Audit and Integrity & Ethics Section.

“All our projects follow due process as set out in the State Corporations Act, the Public Finance Management Act, the Public Procurement and Disposal Act 2015, and all other relevant laws. The KPC Board of Directors is at all times fully appraised of all the projects and indeed gives all the necessary approvals and directions to Management.” Mr. Ngumi added.

As part of our continued compliance with the legal and administrative measures put in place by the Government KPC's Head of Finance and Head of Procurement

have both stepped aside to facilitate fresh vetting and auditing as directed by the Head of Public Service.

KPC is open to public scrutiny and will continue to partner with all the relevant government agencies as they carry out their investigations. We will continue to provide information as and when required by all stakeholders.