



Press Statement

KPC MANAGEMENT IS FULLY COMMITTED TO THE FIGHT AGAINST CORRUPTION

Kenya Pipeline Company Limited (KPC) takes note of recent media reports over allegations of financial malpractices at the Company. As KPC Management, we wish to affirm that as a public institution governed under the stipulated laws and regulations, we are and remain open to audits by all relevant institutions, and commentary thereon. In this regard, the thrust of the latest media articles which are based on the Auditor-General's report on KPC for the financial year ending June 30 2018, is in line with KPC Management's determination to decisively confront issues that KPC has grappled with for years. That we are co-operating with government agencies to unearth and remove all gaps that give room for malpractices to flourish is in no doubt.

In response to various media enquiries on the back of recent reports, we would like to state the following;

1. KPC Management is fully aware of our responsibility to discharge our duties to Kenya professionally and with integrity. We will, therefore, not allow the actions of an irresponsible few to tarnish the incredible efforts that the greater majority of hard working and honest KPC staff continue to put in to ensure that Kenya and the wider East Africa region not only have adequate fuel at all times but also delivered safely, efficiently and in an environmentally friendly way.
2. We are already addressing the issues the Auditor General has identified in the course of his audit of the annual accounts for the year ended 30 June 2018, some of which issues have been highlighted by the media. These annual accounts and the Auditor-General's notes have already been tabled in Parliament, and as per custom, we will appear before the National Assembly's Public Investments Committee to be called to account.

3. Internally, we have set up an internal audit on the company systems, processes, procedures and controls. We have also set up a parallel task force in place to address longstanding issues affecting staff. This, in our view, is a deliberate effort to ensure a participatory approach in promoting a culture of honesty, transparency and accountability amongst our employees. This task force has a March 28 2019 deadline to complete its work and submit its findings to Management for subsequent action.

4. As the Government's investigative agencies look into several other allegations to determine their veracity, and thereafter set out their next courses of action, KPC Management has already set into motion actions designed initially to stop immediately any malpractices, and in the longer term embed robust controls and processes to ensure we do not have repeat incidents. These actions include:

- i. Closing insurance cover lapses that we identified earlier this year, and which were the subject of recent media reports. These gaps were closed on Saturday, 2nd February 2019.
- ii. In order to address Kenyans' concerns about fuel losses within the KPC system, which losses eventually translate into higher consumer prices, the KPC Board of Directors have invited our customers, the Oil Marketing Companies (OMCs), who are the owners of the fuel products that KPC transports, to conduct a forensic audit. This forensic audit commenced on Monday 18th February 2019, and is being conducted by internationally renowned forensic auditors appointed by the OMCs. It is scheduled to last 7 weeks.
- iii. We are also undertaking a thorough review of our procurement processes, in the full knowledge that the bulk of corruption allegations in KPC involve procurement. This exercise is already underway.

In undertaking all these actions, we anticipate that they will have a lasting positive impact on KPC's operational and financial performance.

We continue to welcome media and public interest in what we are doing because it is the right of Kenyans to know and question how we manage

public resources. We appreciate that much of this reporting may not be favourable towards KPC Management, as Kenyans' focus rightly remains firmly on uprooting past misdeeds in the management of public resources, and in ensuring no recurrences. Notwithstanding any potential negative media coverage, we remain open to and welcome scrutiny that is driven by objectivity. We will also continue cooperating fully with investigative agencies as they seek to establish and place responsibility for any past wrongdoing.



HUDSON K. ANDAMBI, OGW
ACTING MANAGING DIRECTOR

20th February, 2019

