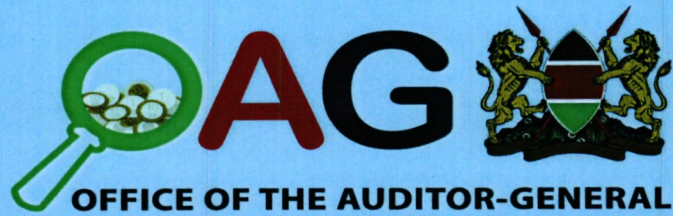


REPUBLIC OF KENYA



Enhancing Accountability

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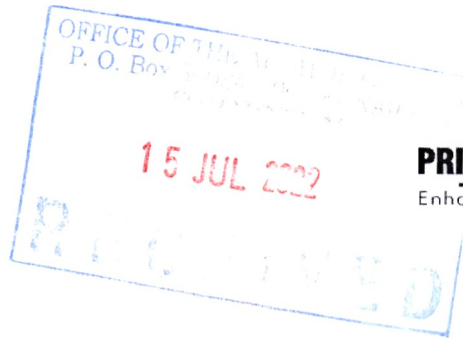
THE AUDITOR-GENERAL

ON

PRIVATIZATION COMMISSION

FOR THE YEAR ENDED

30 JUNE, 2021



PRIVATIZATION COMMISSION
Enhancing Kenya's Productive Capacity

PRIVATIZATION COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2021**

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Privatization Commission was established under the Privatization Act, 2005. The entity is domiciled in Kenya and does not have branches.

b) Principal Activities

The principal activities of the Privatization Commission are to:

- formulate, manage and implement the Privatization Programme;
- make and implement specific proposals for privatization in accordance with the Privatization Programme;
- carry out such other functions as are provided for under this Act; and
- carry out such other functions as the Commission considers advisable to advance the Privatization Programme.

The Commission began its operations in February 2008.

Vision

A world class Privatization Agency, innovatively transforming public enterprises for accelerated economic growth.

Mission

To unlock the potential of public enterprises through a robust privatization to meet desired national objectives

Core Objectives

- i. To finalize implementation of the current Privatization Programme by 2021;
- ii. To achieve a harmonious legal framework for the Privatization Programme;
- iii. To improve on existing infrastructure and foster innovation
- iv. To attract, develop and retain adequate capacity for efficient and effective implementation of the Privatization Programme
- v. To fully operationalize a functional Knowledge Resource Centre by 2020
- vi. To enhance public awareness, image and perception
- vii. To implement the risk management strategy
- viii. To enhance linkages and maintain working relationships with stakeholders and partners
- ix. To effectively lobby, utilize and account for financial resources

c) Key Management

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

- Commission Members;
- Executive Director/CEO; and
- Management.

d) 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.	DESIGNATION	NAME
1.	Executive Director/CEO	Joseph Koskey
2.	Transaction Manager	Dr. Janerose Omondi
3.	Transaction Manager	Charles Ochola
4.	Managers, Supply Chain Management	Sylvester Kamau
5.	Manager, Finance	Virginiah Kariuki
6.	Manager, Human Resource and Administration	Caroline Kittur
7.	Principal Communications Officer	Bessie Valerie Atieno
8.	Principal Legal Officer	Maureen Saina
9.	Principal Internal Auditor	Valentine Odhiambo
10.	Principal ICT Officer	Shadrack Oriaro

e) Fiduciary Oversight Arrangements

The Commission has the following committees which have specific terms to guide their operations:

- (i) Finance and Strategy Committee;**
- (ii) Audit Committee;**
- (iii) Human Resources and Risk Management Committee; and**
- (iv) Privatization Steering Committees.**

f) Privatization Commission Office

P O Box 34542 - 00100

10th Floor Social Security House – Annex (Parking Silo)

Bishop Road

Nairobi, KENYA

g) Privatization Commission Contacts

Telephone: +254 20 221 23 46/7/8

Email: info@pc.go.ke

Website: www.pc.go.ke

h) Privatization Commission Bankers

Kenya Commercial Bank

University Way Branch

NAIROBI, KENYA

Kenya Commercial Bank

KICC Branch

NAIROBI, KENYA

Co-operative Bank of Kenya Limited

Co-operative Bank House

Haile Selassie Avenue

NAIROBI, KENYA

HFC Ltd.

Gill House

Tom Mboya Street

NAIROBI, KENYA

i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P. O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P O Box 40112
City Square 00200
Nairobi, Kenya

2. THE BOARD OF DIRECTORS

Hon. (Dr.) Paul Nyongesa Otuoma, EGH - Chairman

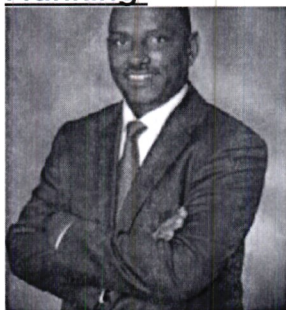


Hon Dr. Paul Nyongesa Otuoma is a veterinary doctor by profession and holds a Bachelor of Veterinary (Hons) degree from the University of Nairobi and an MBA in Strategic Management from the University of Nairobi. He is a standing member of Kenya Veterinary Association. Hon Dr. Otuoma is a former Minister for Fisheries, Youths & Sports and Local Government and a Member of Parliament for Funyula Constituency (2007-2017). He was also a member of Parliamentary Lands Committee and Public Investments Committee. Between 1994 and 2000 he worked for Bayer

East Africa Limited as a representative for East Africa. Between 2001 and 2003, he worked for Bayer South Africa in Johannesburg as a Business Development Manager (Sub-Saharan Africa) for veterinary pharmaceuticals.

D.O.B 15.09.1966

Hon. (Amb.) Ukur Yatani Kanacho, EGH - Cabinet Secretary, National Treasury And Planning



Hon. Amb. Ukur Yatani has over 27-year experience in public administration, politics, diplomacy and governance in public sector. He was appointed the Cabinet Secretary, National Treasury and Planning in an acting capacity, in July 2019 and substantively in January 2020. He was previously Cabinet Secretary for Labour and Social Protection, a position he had held since January 2018. He has a Master of Arts degree in Public Administration and Public Policy from the University of York in the United Kingdom and a Bachelor of Arts in Economics from Egerton University. Between the years 2006-2007 while Member of Parliament for North Horr Constituency, he served as an Assistant minister for Science and Technology. At the height of his career (March 2013-August 2017), he served as the pioneer Governor of Marsabit County.

Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with Accreditation to Hungary and Slovakia and Permanent Representative to the

United Nations in Vienna.

Attorney General- Paul Kihara Kariuki



Judge Kihara was appointed Attorney General of the Republic of Kenya in March 2018. Judge Kariuki was admitted to the Bar in 1978 and is an esteemed member of Law Society of Kenya, Commonwealth Lawyers Association and the International Bar Association.

He practiced law with several legal establishments and served as Principal and Chief Executive Officer at the Kenya School of Law. In the same year, he was appointed Judge of the High Court where he served in both the civil and commercial divisions of the Court for several years.

Between 2009 and 2013, Judge Kariuki served as the first Director at the Judiciary Training Institute where he was instrumental in establishing all the operational systems for the technical arm of the judiciary incorporating professional development for all judges, magistrates and all cadres of the paralegal staff at the Judiciary.

Judge Kariuki was appointed the President of the Court of Appeal in 2013, a position he held until March 2018 when he was appointed the Attorney General of the Republic of Kenya.

D.O.B 11.05.1954

Sharon Irungu Asiyu - Alternate to the AG



Sharon Irungu is the alternate to the Attorney-General. She is an Advocate of the High Court of Kenya with a Bachelor of Laws (LL.B) Degree from Kampala International University – Uganda and a Post-Graduate Diploma in Legal Studies from the Kenya School of Law. Sharon is a State Counsel at the Office of the Attorney-General and Department of Justice currently based in the Government Transactions Division. She is a member of the Law Society of Kenya (LSK).

DOB: 27.06.1981

Mr. John Joseph Tito

John Joseph Tito holds a Bachelor of Laws degree from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law, and Post Graduate Diplomas in Aviation Law, International Business and Transnational Law. He is a member of the Law Society of Kenya and the International Bar Association.



Mr. Tito is an accomplished Lawyer with a solid background in International, Financial and Commercial Law, with over 20 years' experience. He also has expertise in executive management, Governance and policy formulation and implementation.

He is currently a Managing Partner of Tito & Associates Advocates, a legal consultancy and advisory services firm based in Nairobi. The services provided include, Investment and Commercial Law, Aviation Law, Public Private Partnerships, Energy, Real Estate and advising communities on their proprietary rights over land, training legal practitioners on management issues, negotiations and International law. He provides lectures at conferences and undertakes research on appropriate policy and legal framework on proposed legislative changes. He coaches executives on Aviation Law and on Public Sector - Private sector partnerships for efficient and sustainable delivery of public services.

Date of reappointment 16.10.2019.

D.O.B 30.3.1967

Mr. Joseph Koskey Executive Director/CEO

Joseph is the Executive Director/CEO and holds a MBA (Strategic Management) and Bachelor of Commerce (Accounting) degrees from the University of Nairobi and currently a PhD (Business Administration) candidate at the same University. He is a member in good standing of ICPAK, the Institute of Certified Secretaries of Kenya and the institute of Directors Kenya. He is also a certified trainer on corporate governance and a Certified governance Auditor. Joseph has over 28 years business management experience gained in diverse industries, 21 years of which have been in senior leadership and management positions. He has a distinguished leadership career with a proven track-record of achievements (both in the private and public sectors) in revenue growth, productivity improvement, operational excellence and bottom-line turnaround.





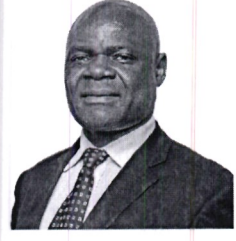

Prior to his appointment to the Commission, Joseph had served as the Group CEO at Sovereign Group Ltd, Managing Director at the Kenya Bureau of Standards and as

Managing Director at Urgent Cargo Handling Ltd among others. He has also served as the Regional Change Manager for P&O Nedlloyd East Africa and Indian Ocean Islands covering Kenya, Uganda, Tanzania, Mauritius, Madagascar & Seychelles. This background equipped him with invaluable skills and expertise in strategic and financial management, business restructuring and change management.




Date of appointment 01.11.2018

DOB 29.01.1970

3. MANAGEMENT TEAM

NAME OF STAFF	RESPONSIBILITY
 <p>Mr. Joseph Koskey Joseph holds a Master of Business Administration (Strategic Management) and a Bachelor of Commerce (Accounting) degrees from the University of Nairobi. He is currently pursuing a PhD in Business Administration. He is a member of the Institutes of Certified Public Accountants of Kenya (ICPAK), Certified Secretaries of Kenya (ICSK) and Institute of Directors Kenya (IODK). He is also a certified trainer on corporate governance as well as Certified governance Auditor.</p>	<p>EXECUTIVE DIRECTOR/CEO Enhancing the mission, vision and values of the Commission on all matters relating to the implementation of the Privatization Programme; and provision of leadership in the development and implementation of appropriate strategies.</p>
 <p>Dr. Janerose Omondi Janerose holds a PhD in Business Administration from Jomo Kenyatta University of Agriculture (JKUAT) and Technology, a Master of Business Administration degree (Strategic Management) from the Kenya Methodist University, and a Bachelor of Science degree in International Business Administration (Finance) from United States International University – Africa (USIU-A). She is also a member of the Institute of Internal Auditors (K).</p>	<p>TRANSACTIONS MANAGER Managing privatization transactions.</p>
 <p>Charles Ochola Charles holds a Master of Business Administration degree (Finance Option) from the University of Nairobi and a Bachelor of Arts degree in Economics from Kenyatta University. He is a practicing member of Institute of Certified Investment and Financial Analysts (ICIFA) and the Institute of Directors (IOD-Kenya).</p>	<p>TRANSACTIONS MANAGER Managing privatization transactions.</p>
 <p>Caroline Kiftur Caroline has a Master of Business Administration degree in (Strategic Management) and a Bachelor of Arts degree in Sociology from Moi University;</p>	<p>HUMAN RESOURCE AND ADMINISTRATION Managing the Human Resources and Administration function.</p>

NAME OF STAFF	RESPONSIBILITY
<p>a Higher National Diploma in Human Resources Management from the Institute of Human Resource Management (IHRM); and an Executive Diploma in Industrial Relations from the United States International University – Africa (USIU-A). She is a practicing member of IHRM and a Certified Conflict Mediator.</p>	
<div data-bbox="108 456 365 728" data-label="Image"> </div> <p>Sylvester Kamau: Sylvester holds a Master of Science (MSc) degree in Procurement and Logistics from the JKUAT and a CIPS Post-Graduate Professional Diploma in Procurement and Supplies. He also holds a Bachelor of Arts degree in Government and Public Administration from Moi University. He is currently pursuing his PhD. in Supply Chain Management from JKUAT. He is a registered and licensed member of the Kenya Institute of Supplies Management.</p>	<p>SUPPLY CHAIN MANAGEMENT Ensuring quality, effective and proactive procurement support services.</p>
<div data-bbox="129 987 349 1245" data-label="Image"> </div> <p>Virginiah Kariuki: Virginiah is a holder of a Master of Business Administration degree (Strategic Management) and a Bachelor of Science degree in Business Administration (Accounting and Management) both from USIU-A. She is a CPA (K) and a CPS finalist. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK). She is also a Quality Management System ISO 9001:2015 Lead Auditor.</p>	<p>FINANCE & ACCOUNTS Sound financial management.</p>
<div data-bbox="108 1608 333 1839" data-label="Image"> </div> <p>Maureen Saina Maureen is an advocate of the High Court of Kenya and a Certified Secretary holding a Masters' degree in Public Policy from the University of Strathclyde, Scotland a Post-Graduate Diploma in Legal Studies from Kenya School of Law and a Bachelor of Laws degree from Catholic University of Eastern Africa. She is a</p>	<p>LEGAL AFFAIRS Managing legal affairs.</p>

NAME OF STAFF	RESPONSIBILITY
<p>member of the Law Society of Kenya and Institute of Certified Secretaries of Kenya.</p>	
 <p>Bessie Valerie Atieno: Bessie has a Master of Arts degree in Communication from Daystar University. She also holds a Professional Public Relations Diploma from the Chartered Institute of Public Relations (CIPR-UK) and a Bachelor of Arts degree in Language and Literary Studies (English Major) from Moi University. She is a member of the Public Relations Society of Kenya (PRSK). She is also a Quality Management System ISO 9001:2015 Lead Auditor.</p>	<p>CORPORATE COMMUNICATION Formulation and execution of a sound communication strategy.</p>
 <p>Shadrack Oriaro: Shadrack holds a Bachelor of Science degree (Information Technology) from JKUAT and a Master's in Applied IT at Africa Nazarene University. He possesses various professional certifications including CompTIA Project+, CCNP, CCDP, CCDA, CCNA and ITIL. He is a member of the Computer Society of Kenya.</p>	<p>ICT Managing Information Communication Technology.</p>
 <p>Valentine Odhiambo: Valentine holds a Master of Business Administration (Strategic Management) and Bachelor of Commerce (Finance) degrees both from The University of Nairobi. She is a Certified Information Systems Auditor (CISA) and a CPA (K). She is a member ICPAK, Association of Women Accountants (AWAK) and the Information System and Control Association (ISACA).</p>	<p>INTERNAL AUDIT Managing internal controls in order to improve efficiency, transparency and accountability</p>

4. CHAIRMAN'S STATEMENT

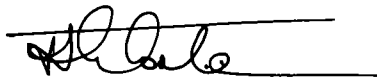
I am pleased to present the Privatization Commission Annual report for the year ended 30th June 2021. As per the requirements of Section 15 and 16 of the Privatization Act, 2005, the Commission's Annual Report should, as a minimum, include the Annual Financial Statements for the year and where a corporation was privatized during the year, a statement of the assets and liabilities of the State Corporation and the proceeds from privatization. During the year, no privatizations were completed, hence the report is limited to the Commission's Financial Statement.

I am also pleased that during the year, the Commission completed the review of the Privatization legal framework. This exercise was extensively informed by the experiences of countries that have implemented their national privatization programmes effectively. The recommendations will be submitted to the National Treasury and they offer an opportunity to streamline the privatization process to take a reasonably short period without compromising any necessary disclosure, transparency and accountability required of similar programmes.

As previously reported, six positions of Commission members still remain vacant. The National Treasury had commenced the process of filling them but with this process not concluded, the Board was not duly constituted and lack of quorum affected implementation of various proposals and strategies that had been developed by Management.

This drastically affected the continued implementation of the Commission's mandate, and I hope that the process of appointing new Commission Members will be fast-tracked so as to proceed with the implementation of the Privatization Programme.

The major task that the Commission is looking forward to will be the updating of due diligence reports once the Board is duly constituted. This will be followed by the presentation and approval of these reports at various levels to facilitate implementation.



MR. JOHN TITO

For: CHAIRMAN OF THE PRIVATIZATION COMMISSION

5. REPORT OF THE EXECUTIVE DIRECTOR/CEO

In compliance with the Privatization Act, 2005, I hereby present the 2020/2021 Annual Report for the Privatization Commission. In the year under review, the Commission's 2016/2021 Strategic Plan expired. There were a few strategic objectives that had not been fully met on account of exogenous factors; related strategic issues and objectives of a continuing nature were also identified and mitigation measures proposed and which will now be addressed in the 2021/2026 Strategic Plan which is under development.

In the period under review, Privatization Commission continued with the implementation of the following key activities:

- i. Capacity building for Commission staff;
- ii. Relocation of the Privatization Commission Offices from 11th Floor Extelcoms House to 10th Floor, Social Security House – Annex;
- iii. Implementation of Phase II of the Electronic Document Management System which has not only enhanced information security but also eased the process of information retrieval, especially in the COVID-19 pandemic, where staff have had to work from home from time to time; and
- iv. Implementation of Phase II of the ERP System which will assist the Commission to achieve higher levels of efficiency as it provides for end-to-end paperless flow of work.

Absence of a duly constituted Board negatively affected the Commission in as far as implementation of the Privatization Programme is concerned. It is our expectation that the recruitment and appointment will be concluded soon to revamp the implementation of the Privatization Programme. Management is looking forward to the review and updating of due diligence reports for the entities approved by Cabinet for continuation in the Privatization Programme, but which are yet to be considered by the Commission.

The execution of the above activities would not have been possible without our key stakeholders; on whose support we fully rely.



JOSEPH KOSKEY
EXECUTIVE DIRECTOR/CEO

6. STATEMENT OF PRIVATIZATION COMMISSION PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/2021

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Privatization Commission has four strategic pillars and objectives within its Strategic Plan for the FY 2016/2017 – 2020/2021. These strategic pillars are as follows:

- ✓ Effective and efficient implementation of the privatization programme
- ✓ Strengthening Institutional Capacity
- ✓ Enhance Corporate Governance
- ✓ Mobilization and optimal utilization of funds

Privatization Commission develops its annual work plans based on the above four pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. However, for the FY 2020/2021 the Commission did not have a fully Constituted Board. Consequently, there were no Board sittings. The Commission therefore only achieved those performance targets set for the FY 2020/2021 period for its four strategic pillars that could be achieved without the Board, as indicated in the table below:

Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
Effective and efficient implementation of the privatization programme	To finalize implementation of the current privatization programme by 2021	Undertake preparatory work for 16 enterprises	-Submission of due diligence reports by the consultant/transaction advisor -Convening of Privatization Implementation committee (PIC) meetings to review the reports. -Convene Steering Committee meetings to approve the reports -Prepare and submit Specific privatization proposal for 7	-The Steering Committee meetings to approve the updated due diligence reports for 16 entities were not convened for lack of a fully constituted Board. This awaits appointment of the Board.

Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
			entities at the preparatory stage	
		Implementation of the 9 approved transactions by Q4	Convene the Privatization Steering Committee meetings - Conducting Business valuation for each of the 9 entities - Advertise for the Expression of Interest in the entities -Complete the privatization process by identifying the new investor	This was not achieved for lack of a fully constituted Board
		Build and strengthen strategic partnerships with key stakeholders for successful implementation of the Privatization Programme	Continuously engage key stakeholders in the privatization process	This was not achieved, mainly as a result of lack of a fully constituted Commission Board to move forward discussions/agreements, and the ongoing COVID-19 Pandemic that limited engagements
	To achieve a harmonious legal framework for the privatization programme	No. of reports on proposed amendments No. of Reports on Harmonization of relevant laws	Conduct a review of the legal framework and additional areas requiring update;	Technical Committee on review of the Act comprising of Kenya Law reform Commission and Privatization Commission staff proposed a raft of amendments and developed the First Draft Privatization Amendment Bill, 2021. This was presented to Management and a group of

Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
				stakeholders, Transaction Advisors.
Strengthening Institutional Capacity	To improve on existing infrastructure and foster innovation	Implement Automation plan	Carry out ICT infrastructure assessment Implement ICT Assessment report Adopt new opportunities to leverage on IT.	PC carried out an ICT Infrastructure assessment The following Projects were implemented under the Automation Plan <ul style="list-style-type: none"> • E-Board implementation • Website upgrade • Hardware upgrade • Upgrade of the email system • Implementation of Navision Dynamics Business Central ERP system. • Implementation of Phase I of Electronic Document Management System
	To attract, develop and retain adequate capacity for efficient and effective implementation of the Privatization Programme	-Number of staff trained in the period under review Percentage -Undertake annual staff performance - Employee satisfaction and work environment survey -Culture change	-Compile and implement approved training programme -Implement and monitor staff performance -Review and implement HR instruments -Implement the recommendations of the conducted survey in the previous years on the existing culture and values in the	- Undertook Training Needs Assessment - implemented approved training programme - Implemented recommendations of institutional skills gap analysis - Strengthened performance management for staff

Privatization Commission Annual Reports and Financial Statements For the year ended June 30 2021

Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
		survey	Commission	- Implemented HR Policy Instruments
	To establish a functional resource centre by 2021	-Annual Report on Knowledge Management implementation	-Establish Knowledge management systems -Develop and implement the Commission's Knowledge Management Policy	- Implemented Knowledge Management policy -trained staff on Knowledge management -Established a Resource Centre and to furnish once 2021/22 budget is approved
Enhance Corporate Governance	To enhance public awareness, image and perception	Improve corporate Image	Conduct a branding assessment.	Branding assessment was undertaken at the beginning of the strategic planning period.
			Develop and implement the Commission's branding strategy.	The Commission implemented the branding strategy
	To implement the risk management strategy	Reviewed the Commission's Enterprise Risk Management Framework (ERMF) every two years; No of trained Commission and staff on ERM every two years;	Implement ERMF	Implementation of ERM
	To enhance linkages and maintain working relationships with stakeholders and partners	Report on updated stakeholder's database;	Update annual report on stakeholders database	Updated stakeholder's database
No of implemented stakeholder engagements		Prepare and implement 9 stakeholders engagement Strategies	Prepared Stakeholder Engagement Strategies for approved transactions but	

Privatization Commission Annual Reports and Financial Statements For the year ended June 30 2021

Strategic Pillar	Strategic Objectives	Key performance Indictors	Activities	Achievements
				there was no transaction approved for implementation in the period under review.
Mobilization and optimal utilization of funds	To effectively lobby, utilize and account for financial resources	Percentage increase in government funding	Lobby for adequate allocation of funds	There was reduction in government funding.

7. CORPORATE GOVERNANCE STATEMENT

Policy on Corporate Governance

The Commission's policy on corporate Governance is enshrined in the Commission Charter 2017. The corporate governance structure aims at ensuring that the Commission's internal systems which include policies, procedures, processes and people serve the interests of its stakeholders and the communities within which we operate. The Commission Board is committed to ensuring that the organization's operations are run in a professional, transparent, just and equitable manner for the benefit of its stakeholders including the Kenyan public.

Commission Charter

The Commission Charter defines the governance guidelines within which the Board exists and operates. The Charter was adopted by the Commission, acting in accordance with *Mwongozo, Code of Governance for State Corporations* ('the Code') and is complementary to the requirements set out in applicable Kenyan laws and regulations. In particular, the principles and policies contained in the Charter are in addition to and are not intended to change or interpret any statute, law or regulation. The Charter clearly stipulates the role of the Board, the Executive Director/CEO and Management. The charter further outlines how the different arms of the Commission shall perform their roles interdependently on the basis of consultation and mutual respect.

Composition of the Commission Board

The Commission's Board as set out in the Privatization Act comprises of eleven (11) members including the Chairman, the Attorney General, Principal Secretary- National Treasury and seven (7) other members appointed by virtue of their expertise in such matters as will ensure that the Commission achieves its objectives. The term of the Board members expired on June 29, 2019 save for the Chairman, Hon. Dr. Paul Otuoma, EGH who was appointed in December 2018 and Commissioner John Joseph Tito who was re-appointed in October 2019. The Chairman has over 10 years' experience in matters relating to public management while Commissioner Tito is a lawyer by profession.

Appointments to the Board are carried out pursuant to the Privatization Act. The Chairperson is appointed by the President of the Republic of Kenya while the Members of the Commission are appointed by the Cabinet Secretary, National Treasury following approval by the National Assembly. In order to ensure business continuity and avoid operational gaps, it is recommended and proposed in the

Privatization Amendment Bill, 2021 that the appointment of Board members' be staggered in future appointments.

The Commission is comprised of the following Board Committees set out in the Commission Charter with specific terms of reference and operations to guide their operations:

I. The Finance and Strategy Committee assists the Commission Board in discharging its oversight duties with respect to the financial matters of the organization, overall strategic direction, operational, procurement, performance contracting and organizational health.

II. The Audit Committee

The committee is mandated to raise the standards of corporate governance by reviewing the audit reports, compliance with relevant laws and regulations, quality and review of financial reporting. The committee further provides oversight on risk assurance and robustness of internal controls.

III. The Human Resources & Risk Management Committee (HRRMC) considers all matters associated with the policies and practices of the Organization in relation to its human resources and risk management.

IV. Privatization Steering Committees (PSCs) monitor transactions to ensure their integrity. The transactions relate to Public Sector Owned/Controlled Hotels, Public Sector Associated Hotels, Banks (Consolidated Bank of Kenya Limited and Development Bank of Kenya Limited), Agro Chemical & Food Company Limited, Kenya Wine Agencies Limited (KWAL) and Kenya Meat Commission.

Meetings

The meetings of the Board are held quarterly and on need basis. The Commission's core mandate, privatization, is also transacted through Steering Committee meetings. The Board from time to time holds consultative meetings with the National Government, the Board and Management of the entities being privatized and other stakeholders in order to seek views on matters relating to the various privatization transactions. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for meetings and the agenda and board papers are circulated in good time in line with the *Mwongozo Code of Conduct*. **No Commission meeting was held in FY 2020/2021 as the Commission Board was not duly constituted hence no quorum.**

Commission Board's Responsibilities

The Board's responsibilities are set out in the Commission Charter. It incorporates internationally accepted best practices in corporate governance, defines the governance parameters within which the Commission exists and operates and enlists specific responsibilities to be discharged by the Commission, its Committees and members collectively and individually.

The Board's responsibilities include amongst others:

- i) Defining the purpose of the organization, its strategic intent, objectives, values and providing oversight of performance against set targets and objectives;
- ii) Providing stewardship of the organization in the discharge of its obligations, assuming the following responsibilities:
 - Retaining full and effective control over the organization and monitoring Management's implementation of the organization's plans and strategies;
 - Ensuring ethical behavior and compliance with relevant laws and regulations, audit and accounting principles and corporate policies and procedures;
 - Defining levels of materiality, reserving specific powers to the Commission, delegating other matters through written authority and instituting effective mechanisms that monitor the performance of the management team;
 - Determining the provisions to be made for capital and recurrent expenditure and reserves;
 - Receiving any grants, gifts, donations or endowments and making legitimate disbursements therefrom;
 - Acting responsibly towards the organization's stakeholders; and
 - Being committed to the principles of good corporate governance.

To enable the Board discharge its obligation effectively, the Commission engages the services of external experts to advice the Board on various issues. Through the steering committee established under Section 27 of the Privatization Act, the Board is able to obtain advice from experts in relation to privatization transactions.

Code of Ethics

The Commission takes cognizance that good corporate governance is a key

contributor to the Commission's overall long-term success. This is achieved by instilling the culture of adhering to high standards of ethics in the organization. The Commission has a code of conduct that applies to the Board, Management and all other employees. In ensuring compliance, the code is distributed to each Board member and all the employees of the Commission.

Whistle Blowing Policy

The Commission has a whistle blowing portal that helps Management to prevent and/or deter suspected fraudulent, immoral, unethical and malicious activities. To guide implementation, a whistle blowing policy has been developed and is accessible on its website and hotline number specifically for forwarding complaints relating to unethical conduct.

Board Remuneration

Board members are entitled to a monthly retainer, sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable. This is done in line with applicable Government rates. In addition, the Chairman is paid a monthly honorarium.

Board Induction

Upon appointment to the Board, new Directors embark on a detailed programme to familiarize themselves with the Commission's mandate and operating environment. Corporate literature and key laws and regulations are provided to the Board members and meetings arranged with senior management team to sensitize them on the operations of the Commission.

Board Evaluation

Board evaluation is key in assessing the performance, efficiency and effectiveness of a Board. The Commission undertakes regular annual performance evaluation of its Board to enable it to review its strategies to ensure continuous growth and sustainability. The evaluation exercise is conducted by the State Corporations Advisory Committee (SCAC). To enhance skills of the Board, the Commission facilitates the Board members to attend strategic and corporate governance trainings that will positively contribute to their performance.

Statutory Compliance Audit

Internal Statutory Compliance is usually carried out on a quarterly basis and reported to the Board. The approved quarterly reports are submitted to State Corporation Advisory Committee and National Treasury. To complement this exercise, the Commission engages external legal compliance auditors to conduct Statutory Compliance Audit biennially. In FY 2018/2019 the Commission engaged the services of Kenya School of Law to carry out statutory legal compliance audit and implementation of the recommendations thereof carried out in FY 2019/2020 pending those that require board intervention.

Conflict of Interest, Disclosure and Purchase of Shares

The Board is cognizant of the prevalence of instances in which conflict of interest could arise. Measures have been put in place to avoid such instances. These include:

- (i) Each Commission member is expected to fully disclose to the Board any real or potential conflict of interest, which comes to his or her attention, whether direct or indirect;
- (ii) A Commission member with such a conflict shall not participate in discussion of any such topic or vote on it unless the Board or Board Committee otherwise directs; and
- (iii) With regard to a privatization of an entity through an Initial Public Offer (IPO) and/or sale of shares, Board Members or their spouses, or children above the age of 18 shall not participate in the said IPO. They can however, purchase the shares, six (6) months after the shares start trading in the market. In the case of shares held by Board Members in Companies prior to the commencement of privatization, members shall declare interest thereof.

Sustainability Reporting

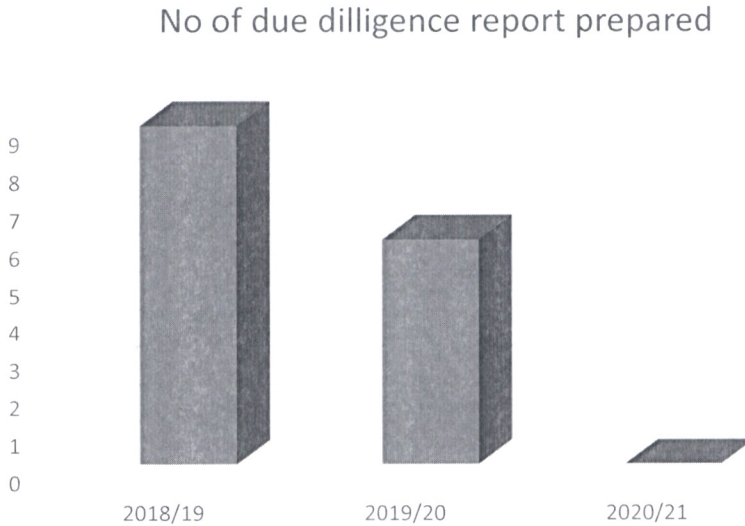
The Commission embraces policies that meet the present needs without compromising its ability to sustain its future development needs and objectives in order to ensure long term sustainability of the organization. Some of the sustainability initiatives involving the Commission are disclosed in the Corporate Social Responsibility Statement.

8. MANAGEMENT DISCUSSION AND ANALYSIS

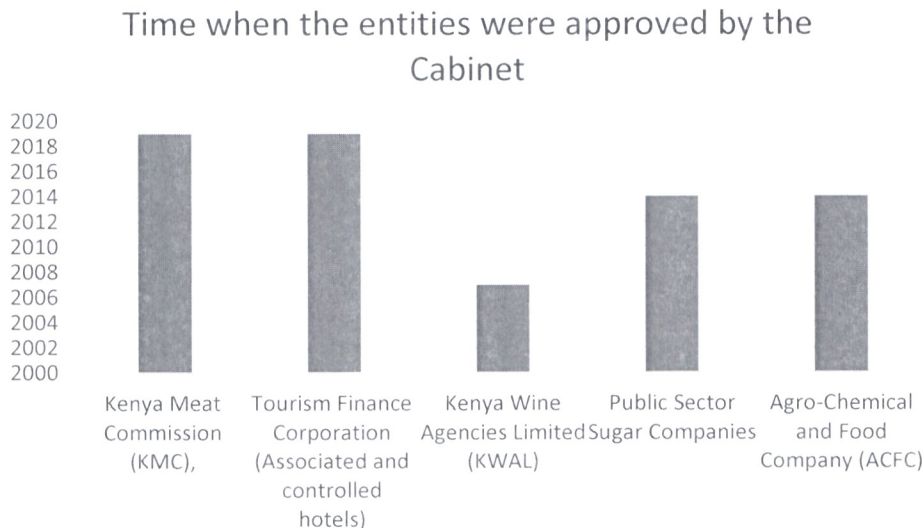
The Privatization Commission’s Operational and Financial Performance for the last three to five year period.

Undertake preparatory work for enterprises

The following shows the number of preparatory work undertaken



Entities Approved by cabinet for privatization



i. Kenya Meat Commission (KMC), and Kenya Wine Agencies Limited (KWAL)

Following the signing of the contract for transactions advisory services on 14th March 2019, the consultant submitted draft Privatization Options Reports for KWAL & KMC by February 2020 for review. The reports now await consideration by the Commission once fully constituted to pave way for the next steps.

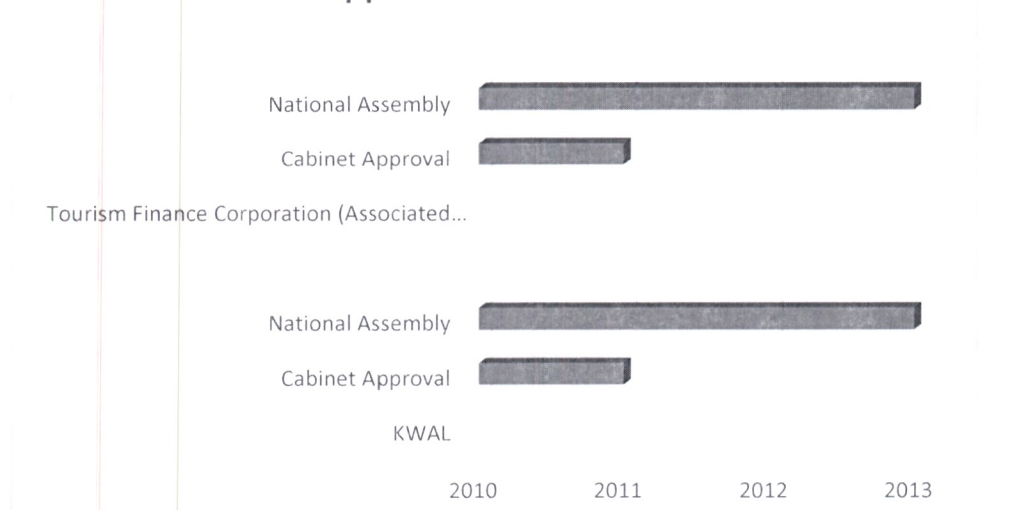
ii. Tourism Finance Corporation (associated and controlled hotels)

The Industry Overview and Market Analysis, Financial Due Diligence, Legal Due Diligence and Fixed Asset Valuation reports were prepared and reviewed/considered by the Privatization Steering Committees at their meeting held on 25th June 2019, just before the Commission Board term expired on 29th June 2019. The reports now await adoption by the Commission/Board once fully constituted to pave way for the next steps.

iii. Agro-Chemical and Food Company (ACFC)

The contract for Transaction advisory services was signed on 3rd July 2019 and among others, the Transaction Implementation Plan was submitted by the consultant on 24th November 2020 and reviewed by management at a meeting held on 1st December 2020. The reviewed report now awaits consideration by the Privatization Implementation Committee and the Commission/ Board once fully constituted.

Approved transactions



iv. Research Services

Research titled **Comparative Analysis of Privatization and Government Divestiture: Challenges and Opportunities** was conducted and a report with recommendations submitted in March 2020. Implementation of the

recommendations that don't require board approval are on-going and those that require approval by the Commission/Board to be executed once the board is duly constituted.

A. Human Resource Management

i. Talent Management

The Human Resource and Administration function supports the achievement of the Commission's mandate by attracting, training and retaining highly qualified, skilled and motivated staff.

In the effort to transform its talent management, the Commission reviewed its HR policy instruments and the same were approved by the SCAC and the National Treasury and already implemented awaiting ratification by the Board. The review among others included an expansion of the functional areas that did not have a clear provision for upward mobility. Based on the foregoing, the optimal staff establishment has been revised to sixty-three (63) up from forty-two (42). Additionally, during the year, human resource interventions geared towards managing existing talent and recruiting new talent were deployed and this has resulted in improved work morale for staff.

The Commission actualized the Presidential directive for internship and attachment programmes with the aim of building capacity of youth in the labour market. Towards this, the Commission recruited seven (7) young graduates below the age of twenty-five (25) years into the programme. In its effort to enhance employees' welfare, the Commission promotes employee well-being at the workplace by providing services and benefits that not only motivate them but also enhance their productivity. These include the provision of a staff medical scheme, Group Personal Accident cover (24 hours), Group Life, an annual employee wellness program, and a Mortgage and Car loan scheme. Additionally, it operates a gratuity scheme for its employees on contract terms of employment and a pension scheme for those permanent terms of employment.

In compliance with statutory requirements, the Commission formulated specific policies and maintained operations of the various statutory committees including Occupational, Health and Safety, Alcohol and Drug abuse, HIV and Aids, Disability Mainstreaming, Gender Mainstreaming, Environmental Sustainability and Road Safety. And to ensure a proper recruitment process the Commission has a clear policy that ensures that gender ratio is within the recommended government thresholds, this has ensured almost 1:1 ratio, which is the desired ratio. The Commission conducts skills audit every two years and implements the findings in

- the subsequent year in a bid to ensure that employee welfare and competencies are addressed.

ii. To Build Adequate Capacity for an Efficient and Effective Privatization Process.

The Commission has taken several steps towards capacity enhancement. Annual Capacity Building/Staff training programme is developed at the beginning of the financial year and implementation undertaken for the rest of the year. Most of the staff have been trained on various skills as per the training need assessments which is completed by members of staff at the beginning of the year to express on the skills gaps and inform on the trainings required.

The HR Policy instruments were disseminated to staff and implementation is ongoing.

The policy instruments are as follows:

- a) Grading and Organization Structure;
- b) Staff Establishment;
- c) Career Guidelines; and
- d) Human Resource Policy and Procedures Manual.

Other policies are in place and implementation is ongoing while the Performance Management System for the Commission is in place.

The Commission has also attracted, recruited and retained competent staff in the period under review. A survey on employee satisfaction, work environment and Commission's existing culture and values was to be undertaken during the financial year but could not happen due to budgetary constraints. This will be conducted in the 2021/22 financial year and the recommendations from the survey to be implemented as appropriate.

iii. To Establish a Functional Resource Centre by 2021

The Commission established Knowledge management systems by benchmarking documents and implementing best practices in all functional areas. The Commission is also implementing the Commission's Knowledge Management Policy. Establishment of a functional Resource Centre is in progress and now awaiting furnishing.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Privatization Commission exists to transform lives. This is our purpose: the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organization's policies and activities that promote sustainability.

a. Sustainability Strategy and Profile

The Commission is committed to providing quality service in a manner that ensures a safe and healthy workplace for our employees and minimizes any potential negative impact on the environment. We operate in compliance with all relevant environmental legislations and strive to use environmental best practices in all that we do. To realize this, the Commission has integrated environmental concerns and impacts into all of its decisions and activities.

b. Environmental Performance

The Commission remains committed to environmental protection and sustainability. In this regard, we always participate in activities that contribute towards the conservation of our ecosystem. Some of the activities include tree planting initiatives; donation of tree seedlings and environmental clean-ups, reduction of printing where necessary, use of segregated waste bins and energy saving bulbs.

10% of PC's CSR budget is allocated for purchase and planting of tree seedlings. In the period under review, the Commission purchased 715 tree seedlings which the Commission staff planted at Kereita Forest on 22nd November 2020.

c. Employee Welfare

The Commission recognizes that in addition to offering pay benefits and a healthy working environment for employees, their emotional and social needs should also be catered for as they discharge their duties. Consequently, the Commission will pursue a policy that addresses the various social and health challenges confronting employees in the work place among them; HIV/AIDS policy, ensuring a clean, smoke-free, safe and healthy work environment as well as providing a comprehensive medical cover including last expense for the staff and their families.

d. Market Place practices

i) Responsible competition practice

The commission ensures there is responsible competition practice in the acquisition of goods, services and works through use of open tenders and other appropriate

procurement methods, analysis and comparisons of tenders by independent ad hoc evaluation committees and total compliance with Article 227 of the Constitution of Kenya, the PPADA 2015, the PPAD Regulations of 2020, PFM Act 2012 and any other attendant circulars issued by the relevant authorities.

ii) Responsible supply chain and supplier relations

Payment to suppliers for acceptable goods and services is done within the specified timelines in the contract and where it may not be practical to do so, the suppliers are notified in advance.

e. Corporate Social Responsibility/Community Engagement

i. Donation of Items to Children with Cerebral Palsy: the Commission purchased the necessary items and furnished three rooms at the Cerebral Palsy Society of Kenya (CPSK) in Donholm, Nairobi. One of the rooms was to be used for Speech Therapy and the other two as a Day Care for the sick children. The children come from low-income backgrounds and the Day Care was to serve as a holding area for the mothers as they seek gainful employment, knowing that they have left the children under the care of experts.

10. 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 Privatization Commission's affairs.

i) Principal Activities

The principal activities of the Commission are to formulate, manage and implement the Government's Privatization Programme.

ii) Results

The results of the entity for the year ended June 30, 2021 are set out on page 1

iii) Directors

The members of the Board of Directors who served during the year are shown on page vii to ix.

iv) Surplus Remission

Privatization Commission did not make any surplus during the year 2020/21 and hence no remittance to the Consolidated Fund.

v) Auditors

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

By Order of the Board



Joseph Koskey
EXECUTIVE DIRECTOR/CEO

11. STATEMENT OF DIRECTORS' RESPONSIBILITY

Section 81 of the Public Finance Management Act, 2012, Section 14 of the State Corporations Act, and Section 16 of the Privatization Commission Act 2015 require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the Privatization Commission at the end of the financial year/period and the operating results of the Privatization Commission for that year/period. The Directors are also required to ensure that the Privatization Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Privatization Commission. The Directors are also responsible for safeguarding the assets of the Privatization Commission.

The Directors are responsible for the preparation and presentation of the Privatization Commission's financial statements, which give a true and fair view of the state of affairs of the Privatization Commission for and as at the end of the financial year (period) ended on June 30, 2021.

This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the Privatization Commission;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Privatization Commission'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 the State Corporations Act.

The Directors are of the opinion that the Privatization Commission's financial statements give a true and fair view of the state of Privatization Commission's transactions during the financial year ended June 30, 2021, and of the Privatization Commission's financial position as at that date.

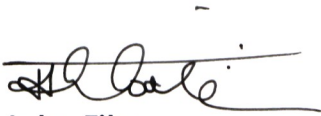
The Directors further confirm the completeness of the accounting records maintained for the Privatization Commission, which have been relied upon in the

preparation of the Privatization Commission's 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 Privatization Commission 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 Board's term expired on 28th June, 2019 hence the financial statements have not been approved by the Board

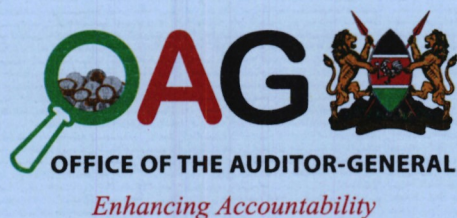


Mr. John Tito
For: Chairman, Privatization Commission



Mr. Joseph Koskey
Executive Director /CEO

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON PRIVATIZATION COMMISSION 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

Opinion

I have audited the accompanying financial statements of Privatization Commission set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net

assets, statement of cash flows and 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 of Kenya 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, the financial statements present fairly, in all material respects the financial position of the Privatization Commission as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Privatization Act, 2005 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Privatization Commission 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.227,000,000 and Kshs.197,764,223 respectively, resulting to an under-funding of Kshs.29,235,777 or 13% of the budget. Similarly, the Commission expended Kshs.158,307,594 against an approved budget of Kshs.705,204,941 resulting to an under-expenditure of Kshs.546,897,347 or 78% of the budget.

Further, the Commission had dismal absorption rates at 23%, 34% and 22% for the financial years 2018/2019, 2019/2020 and 2020/2021, respectively. This prolonged low absorption affects the planned activities and may impact negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness

and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Conclusion

1. Transaction Advisory Services

As previously reported, the statement of financial performance reflected an expenditure of Kshs.63,244,085 under operational costs which included an amount of Kshs.48,649,482 in respect of transaction advisory services on the privatization of Kenya Meat Commission, Kenya Wine Agencies, Tourism Finance Corporation; Public Sector-Controlled Sugar Companies, and Agro-Chemical and Food Company. Further, Kenya Meat Commission was transferred to the Ministry of Defence. The privatization programme for some of the entities has been underway for over eight (8) years casting doubt on the likelihood of realizing the privatization objective.

In the circumstances, there has been no value for money for the expenditure of Kshs.48,649,482 incurred on the programme.

2. Failure to Implement E-Procurement System

Executive Order No. 6 of 2016 required all public entities to migrate to an e-procurement platform as prescribed by The National Treasury. However, the Commission has not complied with the order but continues to operate outside the e-procurement platform.

In the circumstances, Management was 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 Commission'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 Commission 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 is responsible for overseeing the Commission'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 Commission'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 Commission 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 Commission 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

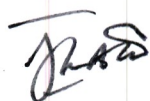
22 July, 2022

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

	Notes	2020-2021	2019-2020
		KShs.	KShs.
Revenue from non-exchange transactions			
Transfer from Other government Entities	6	170,250,000	197,000,000
Revenue from exchange transactions			
Finance Income	7	27,514,223	39,029,092
Total Revenue		197,764,223	236,029,092
Expenses			
Employee costs	8	101,140,833	103,277,912
Remuneration of directors	9	2,486,469	3,388,145
Contracted services	10	2,765,165	7,666,497
Operational cost relating to core mandate	11	8,369,816	163,244,085
Depreciation & Amortization expenses	12	24,060,827	4,138,753
Repairs and maintenance	13	2,394,380	3,082,320
Use of goods and services	14	41,150,930	63,836,249
Total Expenses		182,368,420	348,633,961
Surplus for the year		15,395,803	(112,604,869)
Other comprehensive income			
Revaluation reserve		(10,165,295)	(12,112,088)
Total Comprehensive Income		5,230,508	(124,716,957)

The notes set out on pages 8 to 40 form an integral part of these Financial Statements.

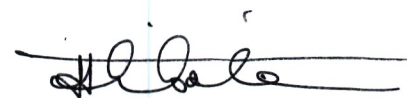
The Financial Statements set out on pages 1 to 40 were signed by:



Executive Director/CEO
Joseph Koskey



Head of Finance
Virginia Kariuki
ICPAK Member No. 3706



For: Chairman of the Board
Mr. John Tito

Date 31/08/2021

Date 31/08/2021

Date 31/08/2021

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Notes	2020-2021	2019-2020
		KShs.	KShs.
ASSETS			
Current Assets			
Cash and Cash Equivalents	15	640,136,619	812,021,693
Receivables from Non exchange Transactions	16	51,069,111	24,328,900
Inventories	17	603,885	523,557
Total Current Assets		691,809,615	836,874,150
Non- Current assets			
Property, Plant and Equipment	18	80,660,125	30,562,114
Intangible Assets	19	8,138,149	7,774,175
Total Non- current Assets		88,798,274	38,336,289
Total Assets		780,607,889	875,210,439
LIABILITIES			
Current Liabilities			
Trade and other payables	20	15,301,070	8,113,624
Current Provision	21	39,959,661	146,980,166
Total Current Liabilities		55,260,731	155,093,790
Net Assets			
Revenue reserve		719,226,543	703,830,740
Revaluation Reserve		6,120,615	16,285,909
Total Net assets		725,347,158	720,116,649
Total Net assets and liabilities		780,607,889	875,210,439

The Financial Statements set out on pages 1 to 40 were signed by:

The Financial Statements set out on pages 1 to 40 were signed by:




Executive Director/CEO
Joseph Koskey

Date 31/8/2021



Head of Finance
Virginiah Kariuki
ICPAK Member No. 3706

Date 31/8/2021



For: Chairman of the Board
Mr. John Tito

Date 31/08/2021

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Revenue Reserve	Revaluation Reserve	T
	Kshs	Kshs	Kshs
Reserves as at 1st July 2019	816,435,609	28,397,997	844,833,606
Deficit for the year	(112,604,869)	0	(112,604,869)
Revaluation	0	(12,112,088)	(12,112,088)
30th June 2020	703,830,740	16,285,909	720,116,649
Reserves as at 1st July 2020	703,830,740	16,285,909	720,116,649
Surplus for the year	15,395,803		15,395,803
Revaluation	0	(10,165,295)	(10,165,295)
30th June 2021	719,226,543	6,120,615	725,347,158

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

		2020-2021	2019-2020
		Kshs	
Cash flows from operating activities			
Receipts			
Government Grants		170,250,000	197,000,000
Other revenue		27,514,223	39,029,092
Total Receipts		197,764,223	236,029,092
Payments			
Employee costs		102,987,412	86,089,820
Remuneration of directors		2,450,469	3,388,145
Outsourced services		2,777,015	7,628,097
Operational cost relating to core mandate		135,738,757	140,255,006
Repairs and maintenance		2,376,880	3,082,320
Use of goods and services		38,630,645	54,530,160
Total payments		284,961,178	294,973,548
Net cash flows from operating activities	22	(87,196,955)	(58,944,456)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(68,854,603)	(10,906,268)
Increase in investments			700,000,000
Change in non- current items		(15,833,517)	(45,878,796)
Net cash flows used in investing activities		(84,688,120)	665,027,472
Net increase/(decrease) in cash and cash equivalents		(171,885,075)	606,083,016
Cash and cash equivalents at 1 st July		812,021,693	205,938,677
Cash and cash equivalents at 30th June	15	640,136,619	812,021,693

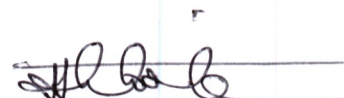
The Financial Statements set out on pages 1 to 40 were signed by:



Executive Director/CEO
Joseph Koskey



Head of Finance
Virginia Kariuki
ICPAK Member No. 3706



For: Chairman of the Board
Mr. John Tito

Date 31/8/2021

Date 31/8/2021

Date 31/08/2021

Privatization Commission Annual Report and Financial Statements For the year ended June 30 2021

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization	Notes
	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	
Revenue							
Government Grants	197,000,000		170,250,000	170,250,000	0	100%	a
Other revenue	30,000,000		30,000,000	27,514,223	(2,485,777)	92%	b
Total income	227,000,000		200,250,000	197,764,223	(2,485,777)		
Expenses							
Employee costs	146,915,000		146,915,000	101,140,833	45,774,167	69%	c
Remuneration of directors	28,065,000		28,065,000	2,486,469	25,578,531	9%	d
Contracted services	8,000,000		8,000,000	2,765,165	5,234,835	35%	e
Operational cost relating to core mandate	465,904,941		465,904,941	8,369,816	457,535,125	2%	f
Repairs and maintenance	4,150,000		4,150,000	2,394,380	1,755,620	58%	g
Use of goods and services	52,170,000		52,170,000	41,150,931	11,019,069	79%	h
Total expenditure	705,204,941		705,204,941	158,307,594	546,897,347		
Surplus for the period				15,395,803			

Explanation of material variances

Original Budget Vs Final Budget

- a. Government grants
No change
- b. Other revenue
No change in revenue
- c. Compensation of Employees
No change
- d. Use of Goods and services
No change
- e. Other payments
No change

Final Budget Compared to Actual Expenditure

- a. **Government Grants**
No change
- b. **Other revenue**
There was a reduction on interest rates from the banks hence reduction in the interest generated from investments
- c. **Employee costs**
In absence of the Board, approved management positions have not been filled.
- d. **Remuneration of Directors**
The term of the previous Board expired in 2019 hence the no board

meetings were held during the year.

e. Contracted services

There was a delay in office relocation hence allocated costs for the cleaning and security services was not fully utilized

f. Operational costs relating to core mandate

The low utilization was due to delayed implementation of transactions. Lack of a duly constituted Board affected the implementation of the transactions and procurement of related goods and services

g. Use of goods and services

Low utilization was caused by lack of a duly constituted board. The term of the previous Board expired in 2019.

Reconciliation of Revenue

	KShs.
Revenue as per budget statement	197,764,223
Revenue as per the financial performance	197,764,223

Reconciliation of Expenditure

	KShs.
Expenditure as per budget statement	158,307,593
Add back depreciation & amortization	24,060,827
Expenditure as per the financial performance	182,368,420

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Privatization Commission is established by and derives its authority and accountability from Privatization Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to formulate, manage and implement the Privatization Programme.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value.

The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Privatization Commission's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Privatization Commission.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Privatization Act 2005, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2021.*

Standard	Impact
Other Improvements to IPSAS	<p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</p> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</p> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</p> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p><i>The standard is not applicable to privatization Commission</i></p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023: 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 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. <p><i>The standard will be applied when it becomes due</i></p>
<p>IPSAS 42: Social</p>	<p>Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the</p>

Privatization Commission Annual Report and Financial Statements For the year ended June 30 2021

Standard	Effective date and impact:
Benefits	<p>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:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>© The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>The standard will be effected once it becomes due.</i></p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>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> <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> <p><i>The standard ins not applicable to Privatization Commission</i></p>

iii. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions 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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions 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 National Assembly 11th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The Privatization Commission'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.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Privatization Commission operates and generates taxable income.

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

d) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Privatization Commission 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation is calculated on the straight line basis at annual rates estimated to write off the carrying values of the assets over their useful lives.

The annual depreciation rates in use are:

Motor vehicles	25%
Furniture & fittings	12.5%
Office Equipment	12.5%
ICT equipment	33.3%

e) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in 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.

The useful life of the intangible assets is assessed on finite basis.

Computer software development costs recognized as assets are amortized using the straight line method over their useful lives, not exceeding a period of three years.

f) 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.

Inventories are recognized as expenses when deployed for utilization or consumption in the ordinary course of operations of the entity

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Provisions

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

Where the Commission 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 Privatization Commission 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 Privatization Commission 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 in-flow 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

h) Nature and Purpose of Reserves

The Privatization Commission creates and maintains reserves in terms of specific requirements.

Revenue Reserves

This is made up of all accumulated surplus for the year arising from non-utilization of allocated grants.

Revaluation Reserves

Revaluations are performed with sufficient regularity such that the carrying amount do not differ materially from those that would be determined using fair values at the reporting date. The Commission carries out a revaluation once the asset have been fully depreciated and they are still useful to the Commission. Any increase arising on the revaluation is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in the profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously expensed.

i) Changes in Accounting Policies and Estimates

The Privatization Commission 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)

j) Employee Benefits

The Privatization Commission has in place a retirement pension scheme for staff on permanent and pensionable terms of employment. However, some employees are engaged on contractual terms of employment for a period of five (5) years renewal based on performance. Gratuity is payable to the staff at the end of contract period. Entitlements to gratuity are recognized when they accrue to employees. The provisions have been treated as a current liability. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable

k) 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.

l) Related Parties

The Privatization Commission 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 Commission, or vice versa. Members of key management are regarded as related parties and comprise the Commission members, the CEO and senior managers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

m) 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.

n) Comparative Figures

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

o) 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, 2021.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Privatization Commission'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.

a) 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. Privatization Commission based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) 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

c) 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 21.

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.

The provision amount relates to unpaid gratuity, salary, and ongoing contracts which relate to 2020/21 financial year

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the entity sending the grant	Amount recognized to Statement of Comprehensive	Amount deferred under deferred	Amount recognized in capital	Total grant income during the year	2019/20
			Kshs	Kshs	Kshs
The National Treasury	56,750,000	0	0	56,750,000	49,250,000
The National Treasury	56,750,000	0	0	56,750,000	49,250,000
The National Treasury	56,750,000	0	0	56,750,000	49,250,000
The National Treasury	0	0	0	0	49,250,000
Total	170,250,000	0	0	170,250,000	197,000,000

7. FINANCE INCOME

Description	2020-2021		2019-2020	
	KShs		KShs	
Interest income Q1	7,707,719		22,230,881	
Interest income Q2	6,940,229		4,706,055	
Interest income Q3	6,548,458		4,140,594	
Interest income Q4	6,317,817		7,951,562	
Total finance income	27,514,223		39,029,092	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. EMPLOYEE COSTS

	2020-2021 Kshs	2019-2020 Kshs
Basic salaries	61,957,406	62,542,465
Casuals/Temporary Employees	5,225	741,437
House allowance	10,380,000	10,578,559
Remunerative allowance	1,200,000	1,200,000
Responsibility allowance	222,000	210,242
Acting/Special duty Allowance	0	22,493
Leave allowance	2,288,078	1,974,068
Gratuity	8,940,342	9,751,304
Telephone allowance	288,000	288,000
Commuter Allowance	2,580,000	2,639,942
Employer contribution to NSSF	64,800	71,400
Employer contribution to Pension Fund	6,654,316	6,147,188
Medical Scheme	6,320,666	6,630,814
Non practicing Allowance	240,000	480,000
Total	101,140,833	103,277,912

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. REMUNERATION OF DIRECTORS

	2020-2021	2019-2020
	KShs.	KShs.
Directors Emoluments	720,000	1,200,000
Chairman's Honoraria	1,044,000	1,044,000
Other Board expenses and allowances	722,469	1,144,145
Total	2,486,469	3,388,145

Individual payment to the Commission Members was as follows:

Commission Member	Amount
	Kshs.
Hon. Paul Otuoma	1,704,000
Sharon	40,000
John Titto	20,000
Other direct payments- medical, training & transport	722,469
	2,486,469

10. CONTRACTED SERVICES

	2020-2021	2019-2020
	kshs	Kshs
Contracted guards & cleaning services	1,862,603	2,010,488
Insurance costs	506,442	451,949
General consultancy	396,120	3,634,380
Outsourced legal services	0	1,569,680
Total	2,765,165	7,666,497

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Operational Costs relating to core Mandate

	2020-2021	2019-2020
	kshs	Kshs
Transaction advisory services	6,540,000	148,649,482
Steering/Stakeholders expenses	1,717,528	3,569,035
PR & promotional materials	112,288	11,025,568
Total	8,369,816	163,244,085

The Transaction cost refers to the cost of hiring Transaction Advisory Services. Part of the funds brought forward amounting to Kshs.457Million that were directly related to Transaction cost were not fully utilized due to delay in the approval of detailed Privatization Proposals hence the related deliverables and payments. The unutilized balance is reflected in the surplus for the year and is carried forward and held in the Cash and Bank balances.

12. DEPRECIATION AND AMORTIZATION EXPENSES

	2020-2021	2019-2020
	Kshs	Kshs
Property, plant and equipment	17,670,711	
Intangible assets - software	6,390,116	4,138,753
	24,060,827	4,138,753

13. REPAIRS & MAINTENANCE

	2020-2021	2019-2020
	Kshs	Kshs
Maintenance expenses- Motor vehicles	355,824	845,222
Maintenance expenses- Office equipment	18,200	187,146
Maintenance expenses- Office furniture & fittings	98,000	24,100
Maintenance expenses- buildings	6,646	127,452
Maintenance expenses- IT equip & computers	1,915,710	1,898,400
Total	2,394,380	3,082,320

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. USE OF GOODS AND SERVICES

	2020-2021	2019-2020
	Kshs	kshs
Telephone	942,008	938,444
Internet connections	813,600	765,600
Courier & postal	9,620	15,805
Domestic travel & accommodation	1,086,114	2,028,147
Foreign Travel	0	171,782
Training expenses	3,454,284	7,893,814
Welfare	1,007,800	392,469
Club /professional membership	268,360	480,760
Newspapers and magazines	189,776	255,833
Rent & rates- non residential	19,788,666	8,955,247
Official entertainment	305,450	432,668
General office supplies	337,280	467,126
Computer stationery	345,275	383,410
Detergents	0	45,629
Refined fuels & lubricants	847,752	597,622
Bank service commission and charges	99,640	130,197
Corporate Social Responsibility	409,026	1,000,000
Withholding tax	8,254,266	34,439,828
Media Advertising	1,294,262	3,284,700
Publishing and printing	289,000	323,183
Publicity and promotional	498,100	248,490
Minor Assets W/O	145,051	5,495
Audit fees	765,600	580,000
Total	41,150,930	63,836,249

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. CASH AND CASH EQUIVALENTS

Description	2020-2021 KShs	2019-2020 KShs
Current Accounts	538,723,184	691,057,553
Staff mortgage	42,542,578	73,695,059
Staff Gratuity	58,740,407	47,179,455
Petty cash	130,450	89,626
Total	640,136,619	812,021,693

15.(A) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

No.	Financial Institutions/Banks	Account No	2020-2021 Kshs	2019-2020 Kshs
A)	Current Account			
	Co-operative Bank	0114118908900	473,253,243	595,736,786
	KCB	1104820730	65,469,941	95,320,767
B)	Staff Car Loan/Mortgage			
	HFC	2299583401-0	42,542,578	73,695,059
C)	Savings Account			
	KCB- KICC	1223199975	58,740,407	47,179,455
E)	Others			
	Cash-on-hand and in transit	Cashbox	130,450	89,626
	Total		640,136,619	812,021,693

Components of Cash and cash equivalents are not restricted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS

	2020-2021	2019-2020
	Kshs	Kshs
Imprests & Advances	639,941	547,591
Prepaid expenses	200,000	7,172,926
Staff Mortgage and car loan	50,229,170	16,608,383
Total	51,069,111	24,328,900

17. INVENTORIES

	2020-2021	2019-2020
	Kshs	Kshs
Stationery supplies	603,885	523,557
	603,885	523,557

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. PROPERTY, PLANT AND EQUIPMENT

Cost/Valuation	Motor Vehicles	Furniture and fittings	Equipment	Computers	Totals
Cost/Valuation					
As at 1st July 2019	5,620,000	17,093,000	3,268,360	9,745,730	35,727,090
Additions	14,500,000	0	497,100	9,069,160	24,066,260
As at 30 th June 2020	20,120,000	17,093,000	3,765,460	18,814,890	59,793,350
Depreciation and impairment					
As at 1 st July 2019	2,810,000	6,409,875	1,056,995	6,842,278	17,119,148
Charge for the Year	5,030,000	2,136,625	470,684	4,474,779	12,112,088
As at 30 th June 2020	7,840,000	8,546,500	1,527,679	11,317,057	29,231,236
Cost/Valuation					
As at 1st July 2020	20,120,000	17,093,000	3,765,460	18,814,890	59,793,350
Additions		76,116,991	117,025	1,700,000	77,934,016
Disposal		(15,000,000)	(8,000)	(2,246,630)	(17,254,630)
As at 30 th June 2021	20,120,000	78,209,991	3,874,485	18,268,260	120,472,736
Depreciation and impairment					
As at 1 st July 2020	7,840,000	8,546,500	1,527,679	11,317,057	29,231,236
Charge for the Year	5,030,000	9,776,249	484,311	4,957,651	20,248,211
Depreciation on disposal		(7,500,000)	(4,000)	(2,162,836)	(9,666,836)
As at 30 th June 2021	12,870,000	10,822,749	2,007,990	14,111,872	39,812,611
NBV as at 30th June 2021	7,250,000	67,387,242	1,866,495	4,156,388	80,660,125

There are no restrictions on the assets. Included in the assets disposal figure is an amount of kshs 1.4M relating to ICT assets that were lost. The assets were however fully depreciated with a nil Net Book Value

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19. INTANGIBLE ASSETS - SOFTWARE

	2020-2021		2019-2020	
COST	Kshs		Kshs	
Opening Balance	22,563,982		11,657,714	
Additions during the year	6,754,090		10,906,268	
Disposal	(10,147,724)			
Total	19,170,348		22,563,982	
AMORTIZATION				
Opening Balance	14,789,807		10,651,054	
Charge for the Year	6,390,116		4,138,753	
Depreciation on disposal	(10,147,724)			
Total	11,032,199		14,789,807	
NET BOOK VALUE AT END OF THE YEAR	8,138,149		7,774,175	

Intangible assets relate to Microsoft Navision Integrated Financial Management Information System and Electronic Document Management System.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2020-2021	2019-2020
	Kshs	Kshs
Trade creditors	13,520,428	6,667,091
Other payables	1,780,642	1,446,533
Total	15,301,070	8,113,624

21. CURRENT PROVISIONS

	Staff Gratuity/ Pension	Corporate Tax	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the	23,722,465	58,768,784	64,488,917	146,980,166
Additional provisions raised	9,174,326	4,127,133	16,011,250	29,312,709
Provisions Utilized	(13,862,120)	(58,768,786)	(63,702,308)	(136,333,214)
Closing Balance	19,034,671	4,127,131	16,797,859	39,969,661

Provisions relates to:

- Accumulated staff gratuity which is payable on expiry of the contract
- Unpaid corporate tax arising from interest income payable after 30th June 2021
- Provisions for ongoing/uncompleted contracted services which related to 2020/21 financial year.

22. CASH GENERATED FROM OPERATIONS

	2020-2021	2019-2020
	Kshs	Kshs
Surplus for the year before tax	15,395,803	(112,604,869)
Add back Depreciation	24,060,827	4,138,753
Working Capital Adjustments		

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(Increase) Decrease in Inventories	(80,328)	110,404
Increase in receivables	(26,740,211)	(22,179,522)
Increase in payables	(99,833,645)	71,590,778
Total	87,196,955	(58,944,456)

23. FINANCIAL RISK MANAGEMENT

Privatization Commission's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Organization's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Commission does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

Privatization Commission's financial risk management objectives and policies are detailed below:

i. Credit risk

Privatization Commission has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Privatization Commission's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Total Amount	Fully Performing		Past Due	Impaired
		Kshs	Kshs		
At 30 June 2021					
Bank Balances	640,136,619	640,136,619	-	-	-
Receivables from Exchange Transactions	51,069,111	51,069,111	-	-	-
Receivables from Non-Exchange Transactions	170,250,000	170,250,000	-	-	-
At 30 June 2020					
Bank Balances	812,021,693	812,021,693	-	-	-
Receivables from Exchange Transactions	39,029,092	39,029,092	-	-	-
Receivables from Non-Exchange Transactions	197,000,000	197,000,000	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from non-exchange transaction.

The board of directors sets the organization's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii. Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the organization's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The Commission manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the organization under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	10,494,142	0	3,026,286	13,520,428
Provisions	15,245,650	999,584	4,913,742	21,158,976
Payroll deductions	1,780,642	0	0	1,780,642
Employee benefit obligation	743,692	2,231,076	15,825,917	18,800,685
	28,264,126	3,230,660	23,765,945	55,260,731
At 30 June 2020				
Trade payables	6,215,212	295,280	156,600	6,667,092
Provisions	1,978,196	59,700,603	61,578,890	123,257,689
Payroll deductions	1,379,046	0	67,500	1,446,546
Employee benefit obligation	7,766,334	3,902,996	12,053,133	23,722,463
	17,338,788	63,898,879	73,856,123	155,093,790

iii. Market risk

The Commission Members has put in place an internal audit function to assist it in assessing the risk faced by the Commission on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Human Resources and Risk Management Committee.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Privatization Commission's Risk and Compliance Department is responsible for the development of detailed risk management policies (subject to review and approval by Human Resources and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Privatization Commission's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

The Commission has transactional currency exposures. Such exposure arises through purchases services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid within 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

Interest rate risk

Interest rate risk is the risk that the Privatization Commission's financial condition may be adversely affected as a result of changes in interest rate levels. The Privatization Commission's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iv. Capital Risk Management

The objective of the Privatization Commission's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2020-2021	2019-2020
	Kshs	Kshs
Revaluation reserve	6,120,615	16,285,909
Retained earnings	719,226,543	703,830,740
Total funds	725,347,158	720,116,649

24. RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the Privatization Commission include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the Privatization Commission holding 100% of the Privatization Commission's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management
- iv) Board of Directors

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020-2021	2019-2020
	Kshs	Kshs
Transactions with related parties		
Purchase from related parties		
Rent paid to government agencies	19,788,666	8,955,247
Training and conferences paid to government agencies	1,255,020	5,893,345
Fuel and lubricants	528,822	597,622
PPE materials	971,800	392,469
Internet	813,600	765,600
Telephone expenses	77,979	69,942
Advertising	1,294,264	3,284,700
Courier services	9,620	15,805
External Audit	765,600	580,000
Local transport	385,878	576,873
a) Grants from the Government		
Grants from National Government	170,250,000	197,000,000
Total	170,250,000	197,000,000
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	101,140,833	103,277,912
Total	101,140,833	103,277,912
c) Key management compensation		
Directors' emoluments	2,486,469	3,388,146
Compensation to the CEO	9,436,800	9,056,000
Compensation to key management	38,914,771	60,476,294
Total	50,838,040	72,920,440

There were no payments to close family members of the key management personnel.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 CAPITAL COMMITMENTS

The following Capital commitments are expected to be incurred in the year 2021/22. They had been approved and/or contracted.

	2020/21 Kshs	2019/20 Kshs
Approved and contracted		
Transaction costs	471,000,000	477,000,000
Approved and not contracted		
Acquisition of tangible assets	3,000,000	6,000,000
Acquisition of intangible assets	20,000,000	20,000,000
Office partitioning & relocation	0	79,000,000
Staff Mortgage and car loan	43,000,000	74,000,000
	537,000,000	656,000,000

28 DIVIDENDS/SURPLUS REMISSION

The entity did not submit any surplus during the financial year 2020/2021

29 TAXATION

During the year the Commission didn't pay Corporation tax but a provision of 30% has been made on income generated in 2020/21 financial year.

30 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non-adjusting events after the reporting period.

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31 ULTIMATE AND HOLDING ENTITY

Privatization Commission is a State Corporation under the National Treasury. Its ultimate parent is the Government of Kenya.

32 CURRENCY

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

STATEMENT OF ASSETS AND LIABILITIES OF PRIVATIZED ENTITIES

Under section 16(2) of the Privatization Act, 2005, the Commission shall cause an annual report to be prepared for each financial year, a statement of the assets and liabilities of the State Corporation being privatized in the year and also disclose any proceeds from the privatization. In this respect a statement is not attached since no privatization took place during the year.

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)



Date 31/8/21

Executive Director/CEO



Date

For: Chairman of the Board

APPENDIX II: PROJECTS IMPLEMENTED BY THE PRIVATIZATION COMMISSION

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate reporting per the donor agreement (Yes/No)	donor reporting required as the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Privatization Commission didn't implement by project funded by development partners.

Status of Projects completion

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
N/A	N/A	N/A	N/A	N/A	N/A	N/A

Privatization Commission didn't implement any project during the year.

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development /Others	Total Amount - KES	Where Recorded/recognized						Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others (must be specific)		
NATIONAL TREASURY	20/08/20	Recurrent	56,750,000	56,750,000						56,750,000
NATIONAL TREASURY	12/11/20	Recurrent	56,750,000	56,750,000						56,750,000
NATIONAL TREASURY	5/02/21	Recurrent	56,750,000	56,750,000						56,750,000
Total			170,250,00	170,250,000						170,250,00