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REPORT OF THE AUDITOR-GENERAL ON PRIVATIZATION AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 Authority set out on pages 1 to 47, which comprise of the statement of financial position as at 30 June, 2024 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 Privatization Authority as at 30 June, 2024 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, 2023 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 Authority Management in accordance with ISSAI 130 on the 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.

Emphasis of Matter

1. Slow Implementation of the Authority's Core Mandate

As previously reported, the Authority (formerly Commission) began its operations in 2008. Since then, it has successfully completed the privatization of only one public enterprise. In 2022/2023 and as indicated under the report of the Managing Director/CEO, seven (7) privatization proposals were submitted to The National Treasury for approval, out of which, six (6) were approved. However, none of the six has been privatized. The Authority has, therefore, not effectively achieved its core mandate on privatization of public enterprises. This has resulted to a significant increase in cost of contracted services acquired from consultants assisting the Authority in production and updating of privatization status reports. It is, therefore, not clear whether value for money was realized from the expenditure of Kshs.49,401,470 spent on Transaction Advisory Services as disclosed in Note 11 to the financial statements.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects actual expenditure of Kshs.443,342,763 against approved budget of Kshs.1,159,273,872 resulting to under-performance of Kshs.715,931,109 or 62% of the budget.

The under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of these matters.

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 Information

The Directors are responsible for the Other Information set out on pages iii to liv which comprise of Key Entity Information and Management, Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director/CEO, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors, and Statement of Director's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Authority's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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, except for the matter described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Human Resource Management - Under-staffing

During the year under review, the Authority had an approved staff establishment of sixty-three (63) employees. However, only thirty-four (34) employees were in position resulting to under-staffing by twenty-nine (29) employees.

In the circumstances, the Authority may have challenges in realization of its mandate due to understaffing.

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 controls, 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 controls 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 controls, risk management and governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 December, 2024

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2024

		2023/2024	2022/2023
Revenue	Note	Kshs	Kshs
Revenue from non-exchange transactions			
Transfer from other government Entities	6	241,620,157	124,142,500
Revenue from exchange transactions			
Finance Income	7	20,177,784	14,927,390
Total Revenue		261,797,941	139,069,890
Expenses			
Employee costs	8	156,633,830	119,710,762
Medical & insurance costs	9	8,269,860	10,893,179
Board Expenses	10	26,309,772	28,429,982
Contracted services	11	83,774,279	110,486,303
Use of goods and services	12	61,130,390	53,795,292
Repairs & maintenance	13	10,212,478	7,959,231
Depreciation and amortization	14	18,673,229	23,885,644
Total Expenses		365,003,838	355,160,393
Surplus / (deficit) before tax		(103,205,897)	(216,090,503)
Taxation	15	6,118,346	6,698,859
Net surplus / (deficit) for the year		(109,324,243)	(222,789,362)


**Deficit attributed to the utilization of rollover funds to finance recurrent expenditure*

The notes set out on pages 7 to 46 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:




Dr. Joseph Koskey
Managing Director/CEO

Date 19/09/2024



Virginiah Kariuki
Head of Finance
ICPAK No. 3706

Date 19/09/2024



Mr. Faisal Abass
Chairman of the Board

Date 19/09/2024

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2024

	Note	2023/2024	2022/2023
		Kshs	Kshs
ASSETS			
Current Assets			
Cash and Cash Equivalents	16	744,345,902	307,273,872
Receivables from Non-exchange Transactions	17	25,833,206	1,106,970
Inventories	18	571,562	804,228
Total Current Assets		770,750,670	309,185,070
Non- Current assets			
Property, Plant and Equipment	19	48,572,143	58,696,753
Intangible Assets- software	20	338,950	3,928,863
Total Non- current Assets		48,911,093	62,625,616
Total Assets		819,661,762	371,810,686
LIABILITIES			
Current Liabilities			
Trade and other payables	21	15,987,090	6,328,309
Provisions	22	25,988,959	56,048,232
Deferred income	23	605,379,843	-
Total Current Liabilities		647,355,892	62,376,541
Equity			
Revenue reserve	24	166,872,170	303,616,030
Revaluation Reserve	25	5,433,981	5,818,115
Total Equity		172,306,152	309,434,145
Total Net Assets and Liabilities		819,661,762	371,810,686

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:



.....
Dr. Joseph Koskey
Managing Director/CEO
Date 19/09/2024



.....
Virginiah Kariuki
Head of Finance
Date 19/09/2024



.....
Mr. Faisal Abass
Chairman of the Board
Date 19/09/2024

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2024

	Revenue Reserve	Revaluation Reserve	Total
	Kshs	Kshs	Kshs
As at July 1, 2022	647,341,636	6,120,615	653,462,251
Surplus/ (Deficit) for the year	(222,789,362)	-	(222,789,362)
Loss on disposal of revalued assets	-	(302,500)	(302,500)
Prior year adjustments	(14,602,000)	-	(14,602,000)
Transfer to Staff Car Loan and Mortgage scheme	(106,334,244)	-	(106,334,244)
As at June 30, 2023	303,616,030	5,818,115	309,434,145
As at 1st July, 2023			
As at 1st July, 2023	303,616,030	5,818,115	309,434,145
Surplus/(Deficit) for the year	(109,324,241)	-	(109,324,241)
Transfer to Staff Car Loan and Mortgage scheme	(28,330,292)	-	(28,330,292)
Unutilized house allowance	910,392	-	910,392
Loss on disposal of revalued assets	-	(384,134)	(384,134)
As at June 30, 2024	166,871,889	5,433,981	172,305,870

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2024

	Note	2023/2024	2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government Grants	6 (b)	847,000,000	124,142,500
Finance Income	7	20,177,784	14,927,390
Total Receipts		867,177,784	139,069,890
Payments			
Employee costs	8	196,199,339	119,710,762
Medical & Insurance	9	12,830,491	10,893,179
Board Expenses	10	26,167,301	28,429,982
Contracted services	11	83,774,279	110,486,303
Use of goods and services	12	61,130,390	47,949,015
Repairs & maintenance	13	10,212,478	7,959,231
Transfer to Car Loan and Mortgage Scheme		28,330,292	48,292,242
Taxation paid	15	6,118,346	6,698,859
Total payments		424,762,916	380,419,573
Net cash flows from operating activities		442,414,868	(241,349,683)
Cash flow from investing activities			
Purchase of Assets	19	(5,342,838)	(6,596,621)
Net cash flows used in investing activities		(5,342,838)	(6,596,621)
Net increase/(decrease) in cash and cash equivalents		437,072,030	(247,946,304)
Cash and cash equivalents at July 1	16	307,273,872	555,220,176
Cash and cash equivalents at 30 June		744,345,902	307,273,872

Note 7* includes the amount of gratuity and house allowance arrears during the period which does not form part of 2023/24 expenditure (not included under note 7)

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE, 2024

	Original Annual budget	Adjustments	Final Annual budget	Actual on a cumulative basis	Performance Difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Government Grants	147,000,000	700,000,000	847,000,000	847,000,000	-	100%
Other revenue	5,000,000	-	5,000,000	20,177,784	15,177,784	404%
Retained earnings	-	307,273,872	307,273,872	307,273,872	-	100%
Total income	152,000,000	1,007,273,872	1,159,273,872	1,174,451,656	15,177,784	101%
Expenses						
Employee costs	113,576,630	49,577,478	163,154,109	156,633,830	6,520,279	96%
Insurance & Medical Scheme	5,000,000	16,500,000	21,500,000	12,830,491	8,669,509	60%
Board Expenses	5,000,000	25,000,000	30,000,000	26,167,301	3,832,699	87%
Repairs and maintenance	-	17,587,171	17,587,171	10,212,478	7,374,693	58%
Use of goods and services	26,423,370	41,612,148	68,035,518	67,248,736	786,782	99%
Contracted services	2,000,000	729,054,791	731,054,791	83,774,281	647,280,510	11%
Total expenditure	152,000,000	879,331,590	1,031,331,590	356,867,115	674,464,475	35%
Other items/capital budget						
Trade payables & other	-	63,662,212	63,662,212	37,673,501	25,988,711	59%
Purchase of office furniture	-	900,250	900,250	797,750	102,500	89%

	Original Annual budget	Adjustments	Final Annual budget	Actual on a cumulative basis	Performance Difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Purchase of ICT hardware & software	-	7,879,820	7,879,820	3,872,588	4,007,232	49%
Purchase of Motor vehicles	-	15,500,000	15,500,000	14,131,809	1,368,191	91%
Staff Car Loan & mortgage	-	30,000,000	30,000,000	30,000,000	-	100%
Office partitioning	-	10,000,000	10,000,000	-	10,000,000	0%
		127,942,282	127,942,282	86,475,648	41,466,634	68%
Total	152,000,000	1,007,273,872	1,159,273,872	443,342,763	715,931,109	

Explanation on difference between on Original Budget and Final Budget

- The adjustments (difference between the original budget and approved budget) was caused by approval to utilize the retained earnings to finance the budget deficit.
- Increase in allocated funds during the supplementary 1

Explanation on difference between income and expenditure on performance and budget statement

- The difference between the Income as per the financial statement and income as per the budget statement is caused by the inclusion of approved rollover funds as income in the budget statement.
- There is no difference between income as per financial performance and income as per the budget statement.

Explanation on unutilized funds

- The largest expenditure item in this relates to transaction advisory services, whose payments are milestone based. In addition, the budget set aside for rebranding was not fully utilized as planned due to government directives on branding collaterals and the timing of approval for advertisements
- The procurement process for capital items including the office partitioning was terminated due to a Presidential directive on austerity measures

19. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Privatisation Authority is established by and derives its authority and accountability from the Privatisation Act 2023. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activities are among others; advising the Government on all aspects of the privatisation of public entities and implementing the Privatisation 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 judgment in the process of applying the Authority'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 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, the Privatisation Act 2023 and the International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. ***New and amended standards and interpretations in issue effective in the year ended 30 June 2024.***

There were no new and amended standards issued in the financial year.

ii. ***New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024***

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>The standard will not apply to the Privatisation Authority.</i></p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>The standard will not apply to the Privatisation Authority.</i></p>
IPSAS 45-Property Plant and Equipment	<p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under-maintenance of assets and distinguishing significant parts of infrastructure assets.</p>

Standard	Effective date and impact:
	<i>The standard will not apply to the Privatisation Authority.</i>
IPSAS 46 Measurement	<p>Applicable 1st January 2025</p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>The standard will be adopted by the Privatisation Authority.</i></p>
IPSAS 47- Revenue	<p>Applicable 1st January 2026</p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>The standard will not apply to the Privatisation Authority.</i></p>
IPSAS 48- Transfer Expenses	<p>Applicable 1st January 2026</p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>The standard will not apply to the Privatisation Authority.</i></p>
IPSAS 49 - Retirement Benefit Plans	<p>Applicable 1st January 2026</p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p> <p><i>The standard will not apply to the Privatisation Authority</i></p>

iii. Early adoption of standards

The Authority early adopted IPSAS 47 which comes into effect in 2026.

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 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.

b) Budget information

The National Assembly approved the original budget for FY 2023-2024 on 30th June 2023. Subsequent revisions or additional appropriations will be made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded additional appropriations of KShs 700 million on the FY 2023/2024 budget following the Board's approval.

The Privatisation Authority'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 an accrual basis using a classification based on the nature of expenses in the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

In contrast, 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 on page 5 of these financial statements.

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 Privatisation Authority 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 Privatisation Authority 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

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, it is initially measured at its fair value.

Depreciation is calculated on a 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 transactions 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 a finite basis.

Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, not exceeding 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 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. The inventories at the Authority are made of consumable store items.

g) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

The expense relating to any provision presented in the statement of financial performance net of any reimbursement.

h) Contingent Liabilities

The Privatisation Authority 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.

i) Contingent Assets

The Privatisation Authority 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.

j) Nature and Purpose of Reserves

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

Revenue Reserves

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

Revaluation Reserves

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from those determined using fair values at the reporting date. Where a revaluation has been carried out other than for insurance purpose, 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

of the decrease previously expensed.

k) Changes in Accounting Policies and Estimates

The Privatisation Authority recognizes the effects of changes in accounting policy retrospectively. The impact of changes in accounting policy is applied prospectively if retrospective application is impractical.

l) Employee Benefits

The Privatisation Authority has a retirement pension scheme for staff on permanent and pensionable terms of employment. However, some employees are engaged on contractual terms of employment for five (5) years renewable based on performance. Gratuity is payable to the staff at the end of the 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 they become payable.

m) 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 on 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.

n) Related Parties

The Privatisation Authority regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Authority or vice versa. Key management members are regarded as related parties and comprise the Board members, the MD/CEO and senior managers.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

o) 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 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

p) Comparative Figures

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

q) 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, 2024.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Privatisation Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. Privatisation Authority 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.

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:

- a) The condition of the asset based on the assessment of experts employed by the Entity;
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- c) The nature of the processes in which the asset is deployed;
- d) Availability of funding to replace the asset; and
- e) Changes in the market in relation to the asset.

Provisions

Provisions were raised, and management determined an estimate based on available information. Additional disclosure of these estimates of provisions is included in Note 20. 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 related to the 2023/24 financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**6. TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

Description	2023/2024	2022/2023
	Kshs	Kshs
Unconditional Grants		
Operational Grant	241,620,157	124,142,500
Total Government Grants and Subsidies	241,620,157	124,142,500

b) Transfers from Ministries, Departments and Agencies (MDAs)

Name of the Entity sending the Grant	Amount recognized to Statement of Financial Performance.	Amount deferred under Deferred Income.	Amount recognised in capital fund.	Total transfers 2023/2024	2022/2023
	Kshs	Kshs	Kshs	Kshs	Kshs
The National Treasury	241,620,157	605,379,843	-	847,000,000	124,142,500
Total	241,620,157	605,379,843	-	847,000,000	124,142,500

7. FINANCE INCOME

Description	2023/2024	2022/2023
	Kshs	Kshs
Interest income	19,818,824	14,867,590
Other income	358,960	59,800
Total Finance income	20,177,784	14,927,390

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. EMPLOYEE COSTS

Description	2023/2024	2022/2023
	Kshs	Kshs
Basic salaries	94,613,452	72,183,215
House allowance	19,497,52	17,549,483
Casual/temporary employees	-	150,012
Remunerative allowance	1,200,000	1,200,000
Responsibility Allowance	219,434	222,000
Acting/special duty allowance	4,174	347,650
Commuter Allowance	4,144,474	2,974,241
Employer contribution to Pension Fund	6,218,885	8,006,183
Leave allowance	3,093,952	2,280,952
Telephone allowance	3,102,586	911,233
Non-practicing Allowance	1,101,000	880,000
Gratuity	19,687,314	12,814,633
Employer contribution to NSSF	632,880	191,160
Housing Levy	1,566,576	-
Fringe benefit Tax	1,551,579	-
Total	156,633,830	119,710,762

9. INSURANCE AND MEDICAL EXPENSES

Description	2023/2024	2022/2023
	Kshs	Kshs
Medical Scheme	7,947,367	9,901,208
Insurance	322,493	991,971
Total	8,269,860	10,893,179

NOTES TO THE FINANCIAL STATEMENTS (Continued)**10. BOARD EXPENSES**

Description	2023/2024	2022/2023
	Kshs	Kshs
Directors Emoluments	13,320,000	17,886,451
Chairman's Honoraria	1,044,000	1,032,774
Other board expenses	11,945,771	9,510,757
Total	26,309,771	28,429,982

10 a. Statutory Committee Meetings

Description	2023/2024	2022/2023
	Kshs	Kshs
Directors Emoluments	10,920,000	15,046,451
Chairman's Honoraria	1,044,000	1,032,774
Other Board expenses	10,247,553	8,760,811
Total	22,211,553	24,840,036

10 b. Steering Committee Meetings

Description	2023/2024	2022/2023
	Kshs	Kshs
Sitting allowances	2,400,000	2,840,000
Other Board expenses	1,698,218	749,946
Total	4,098,218	3,589,946

11. CONTRACTED SERVICES

Description	2023/2024	2022/2023
	Kshs	Kshs
Contracted security services	988,320	988,320
Contracted cleaning services	1,343,800	813,738
Outsourced legal services	2,270,000	0
General consultancy	3,657,600	3,933,680
Transaction advisory services	49,401,470	91,885,940
PR & Branding & adverts	18,882,071	410,090
Stakeholder engagements	7,231,018	12,454,535
Total	83,774,279	110,486,303

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. USE OF GOODS AND SERVICES

Description	2023/2024	2022/2023
	Kshs	Kshs
Domestic travel & accommodation	9,111,532	5,400,938
Welfare expenses	63,518	578,766
Telephone	162,285	1,591,520
Internet connections	812,844	730,800
Courier & postal services	11,513	24,068
Publishing & printing	247,179	434,000
Newspapers and magazines	625,655	260,940
PR & Promotional cost	337,565	499,108
Rental	26,376,613	26,292,662
Hospitality and refreshments	2,796,754	2,477,603
General office supplies	646,529	345,045
Media adverts	713,920	615,135
Detergents	99,870	99,878
Staff uniform	282,450	90,558
Refined fuels & lubricants	1,730,800	2,025,998
Audit fees	765,600	951,200
Professional/Club membership	614,420	347,633
Bank service Commission and charges	166,347	160,009
Corporate Social Responsibilities	400,000	486,090
Training and capacity building	13,490,022	10,204,194
Supplies & accessories for computers & printers	1,674,975	179,145
Total	61,130,390	53,795,292

13. REPAIRS & MAINTENANCE

Description	2023/2024	2022/2023
	Kshs	Kshs
Maintenance expenses- Motor vehicles	2,386,816	1,825,793
Maintenance expenses- Office equipment	265,254	287,730
Maintenance expenses- Furniture & fittings	61,794	19,860
Maintenance expenses- buildings	53,592	178,942
Maintenance expenses- IT equipment & computers	7,445,022	5,646,906
Total	10,212,478	7,959,231

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. DEPRECIATION AND AMORTIZATION EXPENSES

Description	2023/2024	2022/2023
	Kshs	Kshs
Property, plant and equipment	15,458,324	18,044,368
Intangible assets - software	3,214,905	5,841,276
Total	18,673,229	23,885,644

15. TAXATION

Description	2023/2024	2022/2023
	Kshs	Kshs
Tax charged on interest income	6,118,346	6,698,859
Income tax expenses reported in the statement of financial performance	6,118,346	6,698,859

16. CASH AND CASH EQUIVALENTS

Description	2023/2024	2022/2023
	Kshs	Kshs
Current Accounts	699,505,434	261,107,580
Staff Gratuity	44,690,469	46,018,794
Petty cash	149,999	147,498
Total	744,345,902	307,273,872

16 (a) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

No.	Financial Institutions/Bank	Account No	2023/2024	2022/2023
A)	Current Account			
	Co-operative Bank	01141189089	24,964,520	183,514,685
	KCB	1104820730	674,540,914	77,592,895
B)	Savings Account			
	KCB- KICC	1223199975	44,690,469	46,018,794
C)	Others			
	Cash-on-hand and in transit	Cashbox	149,999	147,498
	Total		744,345,902	307,273,872

Components of Cash and cash equivalents are not restricted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS

Description	2023/2024	2022/2023
	Kshs	Kshs
Imprests	547,591	869,441
Prepayments	25,285,614	-
Trade debtors	-	237,529
Total	25,833,205	1,106,970

18. INVENTORIES

Description	2023/2024	2022/2023
	Kshs	Kshs
Office stationery	571,562	604,228
Computer Stationery	-	200,000
Total	571,562	804,228

The inventories are store consumables which are expensed once they are issued from stores.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles	Furniture and fittings	Equipment	Computers	Totals
Cost/Valuation	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2022	20,120,000	83,812,528	3,925,485	22,812,759	130,670,772
Additions	-	-	2,106,660	3,775,600	5,882,260
Disposals	-	(390,000)	(820,000)	(852,283)	(2,062,283)
As at 30th June 2023	20,120,000	83,422,528	5,212,145	25,736,076	134,490,749
Additions	-	797,750	-	4,545,088	5,342,838
Disposals	-	(58,000)	(30,000)	(1,588,172)	(1,676,172)
As at 30th June 2024	20,120,000	84,162,278	5,182,145	28,692,993	138,157,416
Depreciation and impairment					
As at 1st July 2022	16,495,000	21,299,315	2,498,676	19,216,425	59,509,416
Charge for the year	3,625,000	10,427,816	651,519	3,340,033	18,044,368
Disposals	-	(292,500)	(615,000)	(852,287)	(1,759,787)
As at 30th June 2023	20,120,000	31,434,631	2,535,194	21,704,171	75,793,995
Charge for the year	-	10,520,285	649,644	4,288,395	15,458,323
Disposals	-	(50,750)	(28,125)	(1,588,172)	(1,667,047)
As at 30th June 2024	20,120,000	41,904,166	3,156,713	24,404,395	89,585,273
Net Book Values					
As at 30th June 2023	-	51,987,897	2,676,951	4,031,905	58,696,753
As at 30th June 2024	-	42,258,112	2,025,433	4,288,598	48,572,143

There are no restrictions on the assets. Included are assets worth kshs.43,690,310 that were fully depreciated as at 30th June 2024 and which are recorded on cost but the assets are still useful to the organization.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20. INTANGIBLE ASSETS –SOFTWARE

Description	2023/2024	2022/2023
Cost	Kshs	Kshs
At the beginning of the year	29,940,087	28,923,230
Additions for the year	-	1,016,857
Disposals during the year	(2,286,902)	-
At the end of the year	27,653,185	29,940,087
Amortization		
At the beginning of the year	26,011,224	20,169,946
Depreciation on disposal	(1,911,984)	-
Charge for the year	3,214,905	5,841,278
At the end of the year	27,314,235	26,011,224
NBV as at 30 th June 2024	338,950	3,928,863

There are no restrictions on the assets. Intangible assets worth Kshs. 8,120,448 have been fully depreciated. Intangible assets relate to Microsoft Navision Integrated Financial Management Information System (ERP) Electronic Document Management System (EDMS) and website and e-board systems.

21. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade creditors	130,914	3,328,572
Other payables	15,856,176	2,999,737
Total	15,987,090	6,328,309

22. CURRENT PROVISIONS

Description	Staff Gratuity	Other provision	Total	2022/2023
	Kshs	Kshs	Kshs	Kshs
Balance b/f	33,012,239	23,035,994	56,048,233	33,913,793
Additional Provisions	19,687,314	8,404,374	28,091,688	33,435,979
Provision utilized	(35,884,424)	(22,266,538)	(58,150,962)	(11,301,539)
Balance c/f	16,815,129	9,173,830	25,988,959	56,048,233

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. DEFERRED INCOME

Description	2023/2024	2022/2023
	Kshs	Kshs
Recurrent Grant FY 2023/24	605,379,843	-
Total	605,379,843	-

The deferred income statement movement is as follows:

Description	National Government	Total
	Kshs	Kshs
Balance brought forward	-	-
Additions	605,379,843	605,379,843
Transfer to Capital fund	-	-
Transfer to the Income statement	-	-
Other transfers	-	-
Balance carried forward	605,379,843	605,379,843

*Deferred income refers to unutilized budget for 2023/24 made up of grants, rollover funds and other income to be utilized in 2024/25 upon approval by National Treasury which has been deferred as per IPSAS 47. Previously the roll over fund has been treated as part of reserves.

24. REVENUE RESERVES

Description	2023/2024	2022/2023
	Kshs	Kshs
Opening balances	303,616,030	647,341,636
Deficit	(109,324,241)	(222,789,362)
Transfer to the car loan and mortgage scheme account	(28,330,292)	(106,334,244)
Prior year adjustments*	910,392	(14,602,000)
Total	166,871,889	303,616,030

Prior year adjustment relates to balances on house allowance arrears for the period 2015/2016- 2020/2021 whose payment was done in 2023/24 FY.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. REVALUATION RESERVE

Description	2023/2024	2022/2023
	Kshs	Kshs
Opening balances	5,818,115	6,120,615
Reductions*	(384,134)	(302,500)
Total	5,433,981	5,818,115

* Reductions were due to revalued assets that were disposed of before they were fully depreciated.

26. CASH GENERATED FROM OPERATIONS

Description	2023/2024	2022/2023
	Kshs	Kshs
Surplus/deficit for the year	(109,324,241)	(222,789,362)
Loss on disposal		(302,500)
Prior year adjustments	910,392	(14,602,000)
Transfer to staff Mortgage	(28,330,292)	(106,334,246)
Depreciation & amortization	18,673,229	23,885,644
	(118,070,913)	(320,142,464)
Changes in working capital		
Inventory	232,666	(359,606)
Receivables	(24,726,235)	57,628,293
Payables	584,797,350	21,524,094
	560,485,781	78,792,781
Net cash flows from operating activities.	442,414,868	(241,349,683)

27. FINANCIAL RISK MANAGEMENT

Privatisation Authority'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 the 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 Authority does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. Privatisation Authority's financial risk management objectives and policies are detailed below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk

Privatisation Authority 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 Privatisation Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2024				
Bank Balances	744,345,902	744,345,902	-	-
Receivables from Non-Exchange Transactions	25,833,206	25,833,206	-	-
At 30 June 2023				
Bank Balances	307,273,862	307,273,862	-	-
Receivables from Non-Exchange Transactions	1,106,970	1,106,970	-	-

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 Authority has a significant concentration of credit risk on amounts due from non-exchange transactions. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(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 Authority 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.

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2024				
Trade payables	130,914	-	-	130,914
Provisions	8,404,368	-	638,548	9,042,916
Payroll deductions	15,987,090	-	-	15,987,090
Employee benefit obligation	1,662,342	3,245,148	11,907,639	16,815,129
	26,184,714	3,245,148	12,546,187	41,976,049
As at 30 June 2023				
Trade payables	3,125,800	-	202,772	3,328,572
Provisions	1,821,889	2,303,870	4,310,352	8,436,111
Payroll deductions	2,997,620	-	-	2,997,620
Employee benefit obligation	16,191,109	3,441,448	27,981,681	47,614,238
	23,038,347	5,745,318	28,184,453	62,376,541

(iii) Market risk

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

Market risk is the risk arising from changes in market prices, such as interest rates, 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.

Privatisation Authority's Research & Planning Department is responsible for the development of detailed risk management policies (subject to review and approval by the Human Resources and Risk Management Committee) and for the day-to-day implementation of those policies.

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

(iv) Foreign currency risk

The Authority 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.

(v) Interest rate risk

Interest rate risk is the risk that the Privatisation Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Privatisation Authority'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 endeavoured to bank with institutions that offer favourable interest rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FINANCIAL RISK MANAGEMENT (Continued)

(vi) Capital Risk Management

The objective of the Privatisation Authority'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:

Description	2023/2024	2022/2023
	Kshs	Kshs
Revaluation reserve	5,433,981	5,818,115
Retained earnings	166,871,890	303,616,030
Total funds	172,305,871	309,434,145

28. RELATED PARTY DISCLOSURES

Nature of related party relationships

Entities and other parties related to the Privatisation Authority include those parties who have the 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 Privatisation Authority holding 100% of the Privatisation Authority'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)**FINANCIAL RISK MANAGEMENT (Continued)**

Description	2023/2024	2022/2023
	Kshs	Kshs
Transactions with related parties		
Purchase from related parties		
Rent paid to government agencies	26,376,613	26,292,662
Training and conferences paid to government agencies	1,151,318	1,481,067
Fuel and lubricants	1,730,801	1,375,998
Internet	812,845	730,800
Telephone expenses	133,400	166,800
Advertising	713,920	615,135
Courier services	11,513	24,068
External Audit	765,600	951,200
Local transport	1,670,938	1,670,938
	33,864,408	33,308,668
a) Grants from the Government		
Grants from the National Government	847,000,000	124,142,500
Total	847,000,000	124,142,500
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	156,633,831	119,710,762
Total	156,633,831	119,710,761
c) Key management compensation		
Directors' emoluments	26,167,302	28,429,982
Compensation to the CEO	10,154,667	9,948,000
Compensation to key management	95,445,974	49,433,364
Total	131,767,943	87,811,346

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29. CAPITAL COMMITMENTS

The following Capital commitments are expected to be incurred in the year 2024/25. They had been approved and/or contracted.

Description	2023/2024	2022/2023
	Kshs	Kshs
Authorised and contracted		
Ongoing contracts relating to operations	94,620,157	174,641,949
	151,954,066	174,641,949

30. DIVIDENDS/SURPLUS REMISSION

The entity did not submit any surplus during the financial year 2023/2024

31. TAXATION

During the year the Authority did not pay Corporation tax but a provision of 30% has been made on income generated in the 2023/2024 financial year.

32. EVENTS AFTER THE REPORTING PERIOD

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

33. ULTIMATE AND HOLDING ENTITY

Privatisation Authority is a State Corporation under the National Treasury. Its ultimate parent is the Government of Kenya.

34. CURRENCY

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

20. REPORT ON ACTIVITIES UNDERTAKEN UNDER THE PRIVATISATION PROGRAMME

Section 58 of the Privatisation Act, 2023, requires that the Authority shall prepare and submit to the Cabinet Secretary an annual report for the immediately preceding financial year within three months after the end of the year. Under Section 58(2)(b), the Act requires that the report shall include activities undertaken under the privatisation programme in each fiscal year.

The privatisation of fourteen (14) entities is being undertaken as part of the ongoing privatisation under Section 68 of the Privatisation Act, 2023. The details of the activities undertaken concerning the privatisation of these entities in the Financial Year 2023/24 are as follows:

1. Kenya Hotel Properties Limited (KHPL)

The Kenya Hotel Properties Limited (KHPL) owns properties that were built in 1969 and previously leased out to Intercontinental Hotels Corporation Limited. They were operated as a hotel and a parking lot. The hotel operator ceased on 16th October 2020, and the hotel section is closed. Before it closed, the Intercontinental Hotel was rated a five-star hotel in Kenya, boasting 326 rooms with a 372-bed capacity. The hotel's loose assets were removed and auctioned. The Government of Kenya (GoK) owns **33.83%** of the shares (5,888,037 shares) in KHPL.

In the **Financial Year 2023/24**, the Authority invited Expressions of Interest (EOI) for the acquisition of Government shareholding in KHPL on **28th March 2024**. The EOI notice was published in The Nation and The Standard Newspapers as per the Privatisation Act, 2023. The call for Expressions of Interest (EOI) closed on **18th April 2024**, and the Authority received three (3) bids. Upon evaluation of the EOI, the following shortlisted persons were issued with a Request for Proposal (RfP) on **6th May 2024**:

- i. Madison Hotels and Resorts Limited.
- ii. Sovereign Trust Limited.
- iii. Delta Resurgence Solutions Limited.

The Request for Proposal closed on **Monday, 27th May 2024**. **One (1)** bid from **Delta Resurgence Solutions** was received. The other two bidders did not submit proposals at the time of RfP opening. Upon evaluation of the proposal received, it is noted that the bid price submitted by **Delta Resurgence Solutions** was lower than the **reserve price**, thus rendering the sale of the GoK shareholding of **33.83%** in KHPL non-responsive. The shares sale process is to be restarted subject to an updated valuation and in accordance with the Articles of Association of the Company.

2. International Hotels (K) Limited (IHKL)

International Hotels Kenya Limited (IHKL) is a private limited liability Company incorporated in Kenya on 8th July 1966. The company owns the renowned "Hilton Hotel" property at the junction of Mama Ngina Street, Simba Street, Watalii Street, and City Hall Way within Nairobi City Centre. The property comprises a 20-storey hotel tower of 287 hotel rooms with a bed capacity of 334. The property was previously leased out and operated as the Hilton Hotel until 31st December 2022, when the hotel section is closed. The property is still well equipped with hotel-related amenities like food and beverage facilities, meeting/banquet facilities, housekeeping sections, a kitchen, and a bar/restaurant, all of which remain on site. The ground floor section of the property is let to various tenants in one of the CBD's most vibrant and high footfall pitches. IHKL is owned by the Government of Kenya (GoK) to the tune of 40.58% (1,725,777 shares), and the Hilton International Hotel holds the balance of 59.42% of the shares in the company.

In the **Financial Year 2023/24**, the Authority invited Expressions of Interest (EOI) for the acquisition of the GoK shareholding in IHKL on **16th April 2024**. The EOI notice was published in The Nation and The Standard Newspapers. The call for Expressions of Interest (EOI) closed on **7th May 2024**, and the Authority received two (2) bids. Upon evaluating the EOI bids, Star Discover Insurance Limited was issued a Request for Proposal (RFP) on **17th May 2024**.

The Request for Proposal closed on **Friday, June 7th, 2024**. One (1) bid from **Star Discover Insurance Limited** was received. Upon evaluation of the Request for Proposals (RFP), the proposal submitted by **Star Discover Insurance Limited** was found to be non-responsive, as the bid price offered was lower than the reserve price. Thus, the sale of the GoK shareholding, comprising **40.58%**, in International Hotels (Kenya) Limited (IHKL) was found to be **non-responsive**. The shares sale process is to be restarted subject to an updated valuation and in accordance with the Articles of Association of the Company.

3. Kenya Wine Agencies (KWAL) and KWA Holdings (E.A) Limited (KHEAL)

Kenya Wine Agencies Limited (KWAL) was established as a Government Agency in 1969 to provide a platform for the importation and distribution of wines and spirits and promote local Kenyan participation in the beverages sector. KWAL, with its historical significance as a pioneer in Kenya's wine industry, notably founding the nation's first commercial winery in 1982, has played a crucial role in shaping the country's beverage sector. The principal activities of KWAL include manufacturing, importing, and distributing wine and spirits, with production facilities based in

Nairobi. KWA Holdings (E.A) Limited (KHEAL) is a non-trading holding company which holds approximately 99.99% of the shares in KWAL.

In November 2011, the Cabinet approved the privatisation of ICDC (Kenya Development Corporation (KDC)) shareholding in KWA Holding (E.A.) as follows:

- a) Phase 1: Sale of 26% shareholding to Distell through a negotiated and market-driven process where Distell will sign a long-term supply agreement with KWAL for the company to have exclusive rights for the sale of Distell products in Kenya in the Region.
- b) Still under phase 1, the sale of 4% shareholding to KWAL employees at a market-driven price through an Employee Share Ownership Plan (ESOP).
- c) Phase 2: Sale of the balance of ICDC (KDC) shares to be done within 2 to 4 years once the value of the remaining shares has improved. The sale is to be done through institutional investor(s), public tender or initial public offer (IPO).

The Cabinet approval received concurrence and approval from the National Assembly, which was communicated via a certificate of approval dated 25th February 2013. The Authority completed the implementation of Phase 1, resulting in the Government of Kenya (GoK) shareholding in KHEAL and KWAL, respectively, of 43.77% (44,555,036 shares) and 0.0000125% (10 shares). The implementation of Phase 2, which involves the sale of the balance of GoK shareholding, is ongoing.

In the **Financial Year 2023/24**, the Authority invited Expressions of Interest (EOI) for the acquisition of government shareholding comprising **43.77%** and **0.0000125%** of the entire shareholding in KWA Holdings (E.A) Limited (KHEAL) and Kenya Wine Agencies Limited (KWAL), respectively. The EOI notice was published on **15th March 2024** in The Nation and The Standard Newspapers as per the Privatisation Act, 2023. The call for Expressions of Interest (EOI) closed on **5th April 2024**, and the Authority received four (4) bids.

Upon evaluation of the EOI bids, the following shortlisted persons were issued with a Request for Proposal (RfP) on **3rd May 2024**;

- i. Heineken Beverages (Holdings) Limited;
- ii. Tolaram Africa PTE Limited; and
- iii. Ponty Pridd Holdings and Cratos Liquors (PTY) Limited.

The bidders were given twenty-one days from the date of issuance to fill out and submit their proposal. The Request for Proposal closed on **24th May 2024**. One (1) bid from **Ponty Pridd Holdings and Cratos Liquors (PTY) Limited** was received. The other two bidders wrote letters, whose content are as follows:

- (a) **Heineken Beverages (Holdings) Limited**, in their letter dated **22nd May 2024**, indicated that they will not submit a proposal based solely on the changes to the Excise Duty Act proposed in the Finance Bill 2024. These proposals include the removal of excise duty relief for licensed manufacturers and the altered calculation methods for certain spirits, which, if enacted, will significantly increase KWAL's operational costs and impact profitability. They indicated that without clarification on the proposed changes and their impact on KWAL, they cannot determine the business's fair market value and submit a binding offer.
- (b) **Tolaram Africa Pte Ltd's letter dated 23rd May 2024** indicated that the Consortium Partners are withdrawing from the bidding process. They did not provide the reasons for withdrawal.

Upon evaluation of the proposals received, **Ponty Pridd Holdings and Cratos Liquors (PTY) Limited**:

1. did not submit a valid tax compliance certificate as set out in the Request for Proposal; and
2. offered bid prices for Government shareholding in KWA Holdings (E.A) Limited (KHEAL) and Kenya Wine Agencies Limited (KWAL) that are below the reserve prices.

Therefore, the bid proposal was found to be non-responsive. The process will be restarted once the changes to the Excise Duty Act proposed in the Finance Bill 2024 have been concluded.

4. The Ark Limited

The Ark Limited was incorporated in 1968 and owns The Ark Lodge and The Aberdare Country Club, located inside the Aberdare National Park. The company provides accommodation and recreational facilities for guests at The Ark Lodge and the Aberdare Country Club. The Government of Kenya (GoK)'s shareholding currently stands at 0.3296% of the shares in The Ark Limited. GoK's shareholding was diluted from 5.64% to 0.3296%.

In the **Financial Year 2023/24**, the Authority assessed The Ark Limited in areas that include ranging from legal, financial and operational, among other aspects; however, there were challenges in accessing more up-to-date information, which was needed to make a specific privatisation proposal. Upon procuring up-to-date information, it emerged that the Government of Kenya (GoK)'s shareholding had been diluted. This necessitated the acquisition of additional information to determine whether GoK dilution in The Ark Hotel Limited followed the applicable

procedure. The Authority has received information on how the dilution of GoK shareholding occurred.

5. Kenya Meat Commission (KMC)

Kenya Meat Commission (KMC) was started in 1938 under the British Protectorate to serve World War II needs. The KMC Act (CAP 363) was enacted on 1st June 1950, establishing KMC as a State Corporation to promote the country's meat industry by purchasing livestock, slaughtering and selling livestock products both in the local and export markets. KMC has plants in Athi River Machakos County and Kibarani in Mombasa County, with outlets on Landhis Road and Makupa. KMC, being a state corporation, is wholly owned by the Government of Kenya and has to be incorporated before privatisation.

In the **Financial Year 2023/24**, the Authority conducted an assessment of KMC, which included legal, financial and operational, among other aspects; however, this could not be completed due to challenges in access to more up-to-date information, which is needed to make a specific privatisation proposal. This was caused by the reluctance of the KMC management to provide information. Significant gaps in the provision of information still exist; however, the Authority is working on completing the assessment.

6. Development Bank of Kenya Limited

The Development Bank of Kenya Limited, previously known as Development Finance Company of Kenya Limited (DFCK) until 11th June 1996, was established on 13th September 1963 to promote and develop commercially viable projects by investing in medium to long-term loans or both equity and loans, depending on the specific needs of each project. Its initial focus was small and medium-sized businesses, but inadequate funding by successive government administrations meant the Bank did not have the overall desired impact on implementing its initial purpose.

The formation of DFCK was an initiative of the Kenya Government through the Industrial and Commercial Development Corporation (ICDC) and several foreign governments, including the British Government through the Commonwealth Development Corporation (CDC). In 2003/2004, all the foreign shareholders except CDC exited from the company's shareholding. ICDC obtained the shares held by other foreign governments at a total cost of Kshs. 289.7 million, bringing its shareholding to 89.308% (46,551,750 shares), with a balance of 10.692% held by CDC. Trans-century Limited later bought the CDC shares.

The purchase of the additional shares by ICDC was intended for warehousing purposes, and at an opportune time, ICDC will dispose of the shares for capital gains. In 2008, ICDC requested to sell its shares to release part of its investment in the Bank. Since then, this process has been under implementation. There is a vesting order issued by the Cabinet Secretary of the Treasury through Kenya Gazette Legislative Supplement No. 53 of 2nd July 2021, transferring, among other things, the 89.32% of the shares in the DBKL from ICDC to the Kenya Development Corporation (KDC) Limited.

In the **Financial Year 2023/24**, as part of the effort to fast-track the exit of the Government of Kenya (GoK) in DBKL, the Cabinet approved on 14th February 2024 for the sale of GoK shares in DBKL through public tender. The Authority commenced the assessment and valuation of DBKL, which is expected to be completed, together with the execution of the sale of GoK shareholding through public tender, in the Financial Year 2024/25.

7. Kenya Safari Lodges & Hotels (KSLH) Limited

The Kenya Safari Lodges & Hotels (KSLH) Limited started operations in 1969 under the management of Hallways Hotels LTD, a UK-based company, until 1974. The company comprises three units: Mombasa Beach Hotel, Voi Safari Lodge, and Ngulia Safari Lodge. The management changed to African Tours and Hotels Limited until 1998, when the manager was put under receivership. As a result, KSLH Limited took over the management of its properties. The Government of Kenya (GoK) owns 82.45% (4,161,855 shares) of KSLH Limited shares.

In the **Financial Year 2023/24**, the Authority received Cabinet approval on 14th February 2024 to sell GoK shares in KSLH Limited by inviting existing shareholders to exercise their pre-emptive rights. The Authority commenced the assessment and valuation of KSLH Limited, which is expected to be completed, together with the execution of the sale of GoK shareholding through the exercise of pre-emptive rights in the Financial Year 2024/25.

8. Mt. Elgon Lodge Limited

Mt. Elgon Lodge is a 152-acre farm with an old colonial farmhouse and several outer cottages designed as simple hotels and lodges. The lodge, often called the Farm House, was formally the residential home of Mr. Barnabas Powel. Mt. Elgon Lodge ceased operations in September 2017. The Government of Kenya (GoK) owns 72.91% (67,289 shares) of Mt. Elgon Lodge Limited shares.

In the **Financial Year 2023/24**, the Authority received Cabinet approval on 14th February 2024 to sell GoK shares in Mt. Elgon Lodge Limited through public tender. The Authority commenced the assessment and valuation of Mt. Elgon Lodge Limited, which is expected to be completed, together with the execution of the sale of GoK shareholding through public tender, in the Financial Year 2024/25.

9. Golf Hotel Limited

Golf Hotel opened its doors on 26th November 1977. The Golf Hotel Kakamega is a town hotel located in Kakamega, near the Kakamega forest. The hotel has a total of 62 rooms and a total bed capacity of 124. The rooms comprise 60 deluxe rooms and 2 Executive rooms. The hotel neighbours the nine-hole golf course in Kakamega town. The Government of Kenya owns 80% (200,000 shares) in the Golf Hotel Limited.

In the **Financial Year 2023/24**, the Authority received Cabinet approval on 14th February 2024 to sell GoK shares in Golf Hotel Limited through public tender. The Authority commenced the assessment and valuation of Golf Hote Limited, which is expected to be completed, together with the execution of the sale of GoK shareholding through public tender, in the Financial Year 2024/25.

10. Sunset Hotel Limited

Sunset Hotel opened its doors on 26th November 1977 and was then managed by the African Tours and Hotels (AT&H) until 2002, when AT&H went under receivership. The property lies along Milimani Estate's Impala Way near Impala Park in Kisumu. The hotel has a 50-ensuite room facility that overlooks Lake Victoria and the adjoining Impala Wildlife Park. It provides food & beverage services, conference facilities, accommodation and swimming. The Government of Kenya (GoK) owns 95.42% (572,500 shares) of Sunset Hotel Limited shares.

In the **Financial Year 2023/24**, the Authority received Cabinet approval on 14th February 2024 to sell GoK shares in Sunset Hotel Limited through public tender. The Authority commenced the assessment and valuation of Sunset Hotel Limited, which is expected to be completed, together with the sale of GoK shareholding through public tender, in the Financial Year 2024/25.

11. Kabarnet Hotels Limited

Kabarnet Hotels Limited was established in 1976 to boost tourism in Baringo County. It sits on approximately seven acres of land. Kabarnet hotel is a 30-room facility with a presidential suite, and before it ceased operations, it used to provide food & beverage services, conference facilities, accommodation and swimming. The

Government of Kenya (GoK) owns 98% (245,000 shares) of the Kabarnet Hotel Limited shares.

In the **Financial Year 2023/24**, the Authority received Cabinet approval on 14th February 2024 to sell GoK shares in Kabarnet Hotels Limited through the sale of assets by public tender, the proceeds to be applied to pay off liabilities, and the company wound up. The Authority commenced the assessment and valuation of Kabarnet Hotels Limited, which is expected to be completed, together with the sale of GoK shareholding through public tender, in the Financial Year 2024/25.

12. Agro Chemical and Food Company (ACFC) Limited

Agro Chemical and Food Company (ACFC) Limited was established in 1978 to produce power alcohol from sugarcane molasses. However, the programme was not sustainable due to a lack of regulation and resistance from Multinational Petroleum Companies. Over time, ACFC shifted into producing other products, and it now produces various grades of spirits, yeast and other products.

The Government's stake in ACFC is 56.33%, held by the Kenya Development Corporation (KDC) and Agriculture Finance Corporation (ADC) with 845,000 shares each, and the third shareholder is Mehta International Limited (MIL) with 1,310,000 shares representing 43.666% of the company's issued and fully paid-up share capital.

In the **Financial Year 2023/24**, the Authority conducted an assessment of ACFC, which included legal, financial and operational, among other aspects; which revealed several privatisation implementation challenges. Consequently, a specific proposal could not be made, and instead, the intervention of the National Treasury was sought to address the challenges among them:

- (i) the dispute between MIL and the Ministry of Agriculture and Livestock Development over a Management Agreement between ACFC and Mehta Group Management Limited;
- (ii) the last audited accounts were for 2020/2021, and the auditor raised queries about unverified trade payables and receivables.
- (iii) The company is technically insolvent and has significant debt and negative equity. Despite this, it maintains a substantial cash reserve but has a history of not honouring loan obligations. The Government may have the option to assume management of the company and appoint an administrator or a receiver and
- (iv) The company is non-compliant with its constitutive instruments, the Companies Act of 2015, Loan Agreements, and the Public Financial Management Act of 2012. The Memorandum and Articles of Association are not aligned with the Companies Act of 2015. There is non-compliance with

the Public Financial Management (PFM) Act, specifically concerning unverifiable trade payables and receivables. The current number of shareholders does not meet the quorum requirements outlined in the Articles. Additionally, the process for share transfer contravenes the Privatisation Act of 2023.

13. Consolidated Bank of Kenya Limited (CBKL)

The Consolidated Bank of Kenya Limited (CBKL) was established in December 1989 by the Government of Kenya (GoK) to take over and forestall the imminent collapse of several indigenous financial institutions facing financial difficulties to maintain stability in the financial markets and ensure continued public trust and confidence in the banking system. The Bank's primary focus during the formative years, between 1989 and 2000, was the recovery of debts owed to the amalgamated institutions. At incorporation, these debts were over Kshs. 4.0 billion, 90% of which were considered non-performing. Although there were significant challenges in recovering the non-performing loans, a substantial proportion of the old legacy loans have been recovered. GoK owns CBKL to the tune of 93.40% of the company shares.

The assessment of the Bank revealed that the company is technically insolvent, is extensively regulatory non-compliant, and has significant legacy challenges arising out of the bank's formation through the takeover of nine Indigenous financial institutions that were then insolvent. Subsequently, a Technical Committee was constituted under the National Treasury to review and resolve the above challenges to facilitate the completion of the privatisation process.

14. Mountain Lodge Limited (MLL)

Mountain Lodge Limited (MLL) was incorporated on 17th November 1967 and was leased to and managed by TPS Serena. TPS Serena ceased operations in March 2020, and the lodge has remained closed. MLL is located at the foot of Mount Kenya within Mount Kenya National Park and Reserve, approximately 48 Km from Nyeri Town and 28 Km off and to the right of Nyeri – Nanyuki Road. MLL has a total of 42 rooms with a bed capacity of 84. The lodge sits on 20.78 hectares of land leased from the Kenya Wildlife Service (KWS) and is set to lapse on 30th June 2036. The entire lodge is wooden, with the front of the house areas done with well-furnished wood. The Government of Kenya (GoK) owns 39.11% (305,078 shares) of MLL shares.

In the **Financial Year 2023/24**, the Authority commenced the assessment and valuation of Kenya Safari Lodges and Hotels (KSLH) Limited, a significant value driver in the valuation of MLL. MLL's substantial investment in Kenya Safari Lodges & Hotels Limited (KSLH) shares. The valuation of KSLH is expected to be completed in July 2024 to facilitate the valuation of MLL shares.

21. APPENDICES

APPENDIX I: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Emphasis of Matter				
1. Slow Implementation of the Commission's Core Mandate of Privatizing Public Entities	As previously reported and as disclosed under the Key Entity Information and Management section of the annual report and financial statements, the Commission began its operations in February, 2008. Since then, it has successfully completed the privatization of only one public enterprise. The current approved privatization programme has twenty-five (25) public enterprises identified for privatization. The Commission has, therefore, not effectively achieved its core mandate on privatization of public enterprises despite having a fully constituted board in the financial year under review. This has resulted to a significant increase in cost of contracted services acquired from consultants assisting the Commission in the production and updating of privatization status reports. It is therefore not clear whether value for money was realized for an expenditure of Kshs. 91,885,940 spent on Transaction Advisory Services as disclosed in Note 11 to the financial statements.	The privatisation process involves two stages: the making of a specific privatisation proposal as the first stage and the implementation of an approved privatisation proposal as the second stage. Due to the delay in approval of specific Privatisation proposals submitted by the Authority to the National Treasury, the second phase of the privatisation process could not be initiated before the end of the financial year. During FY 2023/2024 the Authority went to market with three transactions but the bids received were below the reserve price.	Not resolved	N/A

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2. Budgetary Control and Performance	<p>The statement of comparison of budget and actual amounts reflects the final revenue budget and actual amounts on a comparable basis of Kshs. 706,363,674 and Kshs. 694,142,660 respectively, resulting to an under-collection of Kshs. 12,220,014, or 2% of the budget. Similarly, the Commission spent Kshs. 344,872,723 against an approved budget of Kshs. 616,486,226 on operational and capital expenditure resulting to an under-expenditure of Kshs. 271,613,503 or 53% of the budget.</p> <p>The under-expenditure affected the planned activities and impacted negatively on service delivery to the public</p>	<p>The low budget absorption rate was largely due to under absorption of funds allocated to the core mandate (contracted services). The budget allocated under contracted services factors both the preparatory and implementation phases of the privatisation process for each transaction. As a result, due to the delay in receiving approval of specific Privatisation proposals, the budget that had been earmarked for implementation of the various transactions could not be utilized.</p>	Not resolved	N/A
Unbalanced Budget	<p>The statement of comparison of budget and actual amounts reflects expenditure budget of Kshs 616,486,226 comprising recurrent expenditure budget of Kshs 603,236,226 and capital budget of kshs13,250,000. However, the statement reflects the final revenue budget of Kshs 706,362,674 resulting in a budget imbalance of Kshs 89,876,488 which is contrary to Regulation 33 of the Public Finance Management (National Government) Regulations, 2015 that requires a balanced budget</p>	<p>The amount in the budget was Kshs 706,362,674 while the recurrent budget was Kshs 603,236,226 and the capital budget of Kshs 13,250,000 giving a difference of Kshs 89,876,448 which relates to the amount payable to provision, accrual and supplier invoices.</p>	Resolved	N/A
3. Failure to Implement E-Procurement System	<p>As previously reported, an examination of procurement records and processes indicates that the Commission had not migrated its procurement systems to the e-procurement platform. This is contrary to the</p>	<p>As indicated in the report, the Authority has written several letters to the National Treasury and Public Procurement Regulatory Authority (PPRA) seeking technical support to enable</p>	Not resolved	FY 2025/2026

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Presidential Directive No. IV of the Executive Order No. 2 of 2018 which instructed all public procuring entities to undertake all their procurements through the e-procurement module on Integrated Financial Management Information System (IFMIS) by 01 January 2019 which provides that the conduct of e-procurement procedures for the supply of goods, works and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the State Portal.</p> <p>Although Management has indicated that it has done several letters to the National Treasury and the Public Procurement Regulatory Authority (PPRA) seeking technical support to enable migration to the system, train the users and assign them logging credentials, no support has been received. The procurement function had, therefore, not been migrated to the e-procurement platform at the time of the audit.</p> <p>In the circumstances, Management was in breach of the law.</p>	<p>migration to the e-procurement system without success.</p> <p>However, despite all the challenges the Authority has faced implementing the e-procurement through IFMIS, we have endeavoured and continue to comply with all the other requirements of Executive Order No. 2 of 2018 within our control.</p> <p>The National Treasury is in the process of rolling out the e-procurement system for all public entities.</p>		

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.Lack of Internal Control Policies on Assets held by Board Members	A total of ten (10) Ipads issued by ex-board members costing Kshs. 1,231,115 for purposes of utilization in E-board are still in their custody long after the termination of their tenure at the Commission. There are no documented internal policies regarding the surrender of assets held by the Board of Directors upon expiry of their term.	The Board approved the ICT Policy in April, 2024 and this guided the disposal of the 10 Ipads issued to former Board Members.	Resolved	N/A



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Managing Director/CEO

Date: 19/09/2024

APPENDIX II: PROJECTS IMPLEMENTED

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per 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

Privatisation Authority did not implement any project funded by donor funds.

APPENDIX III: STATUS OF PROJECTS COMPLETION

S/N	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	N/A

Privatisation Authority did not implement any project during the year

APPENDIX IV: INTER-ENTITY CONFIRMATION LETTER

Privatisation Authority
P.O. Box 34542-00100
Nairobi

The Privatisation Authority wishes to confirm the amounts disbursement to you as at 30th June 2024 as indicated below. Please compare the amounts disbursed to you with the amounts you received and populate the Column E in the table below.

Confirmation of amounts received by							
Ref No	Date Disbursed	Recurrent (A)	Development (B)	Inter-Minist erial (C)	Total D= A+B+C	Amount Received by Privatisation Authority As at 30 th June 2024 (E)	Differences Kshs. F=D-E
Q 1	16/08/23	36,750,000	0	0	36,750,000	36,750,000	0
Q 2	15/11/23	36,750,000	0	0	36,750,000	36,750,000	0
Q 3	15/2/24	386,750,000	0	0	386,750,000	386,750,000	0
Q 4	16/5/24	386,750,000	0	0	386,750,000	386,750,000	0
Total		847,000,000			847,000,000	847,000,000	0

I confirm that the amounts shown above are correct as of the date indicated

Head of Accounts Department Privatisation Authority

Name Virginiah Kariuki

Sign 

Date 19/09/24