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REPORT

OF

THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
PAPERS L AID

DATE: 26 APR 2023

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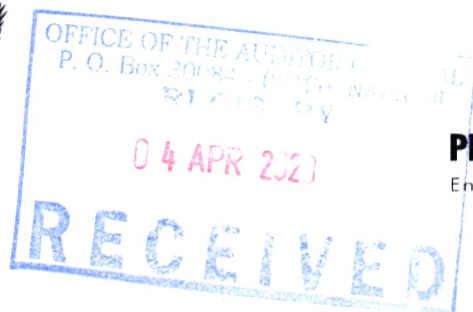
Hon. Naomi Wago
Deputy Majority Whip

CLERK-AT
THE-TABLE:

Finlay Muriuki

PRIVATIZATION COMMISSION

**FOR THE YEAR ENDED
30 JUNE, 2022**



PRIVATIZATION COMMISSION
Enhancing Kenya's Productive Capacity

PRIVATIZATION COMMISSION

**ANNUAL REPORT AND FINANCIAL
STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2022**

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

b) Principal Activities

The principal activities of the Privatization Commission are to:

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

The Commission began its operations in February 2008.

Vision

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

Mission

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

Core Objectives

- i. To finalize implementation of the current Privatization Programme by 2022;
- ii. To achieve a harmonious legal framework for the Privatization Programme;
- iii. To improve on existing infrastructure and foster innovation
- iv. To attract, develop and retain adequate capacity for efficient and effective implementation of the Privatization Programme
- v. To fully operationalize a functional Knowledge Resource Centre by 2022
- vi. To enhance public awareness, image and perception
- vii. To implement the risk management strategy
- viii. To enhance linkages and maintain working relationships with stakeholders and partners
- ix. To effectively lobby, utilize and account for financial resources

c) Key Management

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

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

d) Fiduciary Management

The key management personnel who held office during the period ended 30th June 2022 and who had direct fiduciary responsibility were:

S/NO.	DESIGNATION	NAME
1.	Executive Director/CEO	Joseph Koskey
2.	Transaction Manager	Dr. Janerose Omondi
3.	Transaction Manager	Charles Ochola
4.	Manager, Supply Chain Management	Sylvester Kamau
5.	Manager, Finance	Virginiah Kariuki
6.	Manager, Human Resource and Administration	Caroline Kittur
7.	Principal Communications Officer	Bessie Valerie Atieno
8.	Principal Legal Officer	Maureen Saina
9.	Principal Internal Auditor	Valentine Odhiambo
10.	Principal ICT Officer	Shadrack Oriaro

e) Fiduciary Oversight Arrangements

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

- (i) **The Audit Committee** assists the Board to enhance internal controls in order to improve efficiency, transparency and accountability.
- (ii) **The Finance and Strategy Committee** considers all matters with respect to the financial management, overall strategic direction of the Commission, procurement, and performance contracting.
- (iii) **The Human Resources & Risk Management Committee (HRRMC)** considers all matters associated with the policies and practices of the organization in relation to its human resources and risk management.
- (iv) **Privatization Steering Committees** implements privatization transactions on behalf of the Commission subject to directions of the board.

f) Privatization Commission Office

P O Box 34542 - 00100

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

Bishops Road

Nairobi, KENYA

g) Privatization Commission Contacts

Telephone: +254 20 869 6800

Email: info@pc.go.ke

Website: www.pc.go.ke

h) Privatization Commission Bankers

Kenya Commercial Bank

University Way Branch

NAIROBI, KENYA

Kenya Commercial Bank

KICC Branch

NAIROBI, KENYA

Co-operative Bank of Kenya Limited

Co-operative Bank House

Haile Selassie Avenue

NAIROBI, KENYA

HFC Ltd.

Gill House

Tom Mboya Street

NAIROBI, KENYA

i) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P. O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS

Hon. (Dr.) Paul Nyongesa Otuoma EGH, - Chairman upto 18th December 2021



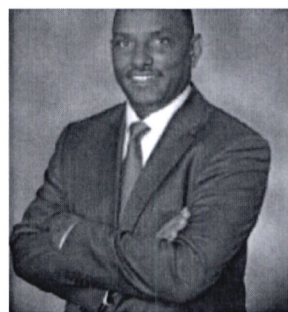
Hon Dr. Paul Nyongesa Otuoma is a veterinary doctor by profession and holds a Bachelor of Veterinary (Hons) degree from the University of Nairobi and an MBA in Strategic Management from the University of Nairobi.

He is a standing member of Kenya Veterinary Association. Hon Dr. Otuoma is a former Minister for Fisheries, Youths & Sports and Local Government and a Member of Parliament for Funyula Constituency (2007-2017). He was also a member of Parliamentary

Lands Committee and Public Investments Committee. Between 1994 and 2000 he worked for Bayer East Africa Limited as a representative for East Africa. Between 2001 and 2003, he worked for Bayer South Africa in Johannesburg as a Business Development Manager (Sub-Saharan Africa) for veterinary pharmaceuticals.

D.O.B 15.09.1966

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



Hon. Amb. Ukur Yatani has over 27 years of experience in public administration, politics, diplomacy and governance in public sector. He was appointed the Cabinet Secretary, National Treasury and Planning in an acting capacity, in July 2019 and substantively in January 2020. He was previously Cabinet Secretary for Labour and Social Protection.

He has a Master of Arts degree in Public Administration and Public Policy from the University of York in the United Kingdom and a Bachelor of Arts in Economics from Egerton University.

Between the years 2006-2007, while a Member of Parliament for North Horr Constituency, he served as an Assistant Minister for Science and Technology. At the height of his career (March 2013-August 2017), he served as the pioneer Governor of Marsabit County.

Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna.

Attorney General- Paul Kihara Kariuki

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



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

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

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

D.O.B 11.05.1954

Mr. Abraham Koech – Member, Alternate to the CS, The National Treasury

Mr. Koech is the Assistant Director - Investment at the Government Investments and Public Enterprises Department of the National Treasury. He has also served as the Deputy Head of Strategy and Change at Postbank.

He is highly experienced in Policy and Financial Analysis, Project Management, Strategic Management, Leadership and Corporate Governance and Quality Management Systems.

He holds a Master's degree in Strategic Management from the Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor of Arts degree from the University of Nairobi.

Mr. Koech has represented the National Treasury as an alternate Director on the Boards of various state corporations.



DOB: April 21, 1969

Ms. Sharon Irungu-Asiyo, HSC - Alternate to the AG



Sharon is the alternate to the Attorney-General. She is an Advocate of the High Court of Kenya with a Bachelor of Laws (LL.B) Degree from Kampala International University – Uganda and a Post-Graduate Diploma in Legal Studies from the Kenya School of Law.

Sharon is a State Counsel at the Office of the Attorney-General and Department Justice; currently based in the Government Transactions Division.

She is a member of the Law Society of Kenya (LSK).

DOB: June 27, 1981

Irene Njeri Wanyoike – Commission Member

Irene is a seasoned and passionate professional with a career spanning over 15 years in alternative dispute resolution mechanisms with an emphasis on Mediation, Law and Governance.

She has a Master's degree in Diplomacy and Foreign Policy from Moi University, a Post Graduate diploma in Law from the Kenya School of Law and a Bachelors of Law from the University of Nairobi.

In her vast experience working with the Judiciary, National Cohesion and Integration Commission and the Association of Professional Societies in East Africa, Irene has interacted extensively with the three Arms of Government, Security, Provincial Administration, county governments and the local grassroots leadership, which has enlarged her networks and given her a rich understanding of the public sector.

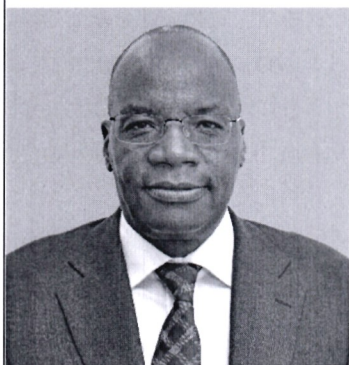
Irene is also knowledgeable in the field of Public Sector Reforms, Governance, Human Rights, and is very passionate on issues of Women and Youth Empowerment.



Date of appointment: March 25, 2022

D.O.B: December 29, 1955

Mr. John Joseph Tito – Commission Member



Mr. Tito holds a Bachelor of Laws degree from the University of Nairobi, a Post-Graduate Diploma in Law from the Kenya School of Law, and other Post Graduate Diplomas in Aviation Law, International Business and Transnational Law.

Mr. Tito is an accomplished Lawyer with a solid background in International, Financial and Commercial Law, with over 20 years' experience. He is a member of the Law Society of Kenya and the International Bar

Association.

He is currently a Managing Partner of Tito & Associates Advocates, a legal consultancy and advisory services firm based in Nairobi.

Date of reappointment: October 16, 2019.

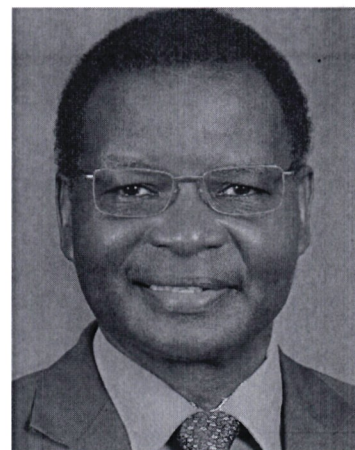
D.O.B : March 30, 1967

Dr. Edward N. Kobuthi, Commission Member

Edward has a Food Process Engineering background and is a Brew master from VLB, Faculty of Brewing and Distillation of the Technical University Berlin, Germany. He holds a PhD in Corporate Governance, a MBA in Strategic Management, a BSc in Marketing and Finance and a Diploma Master Brewer from the Institute of Brewing, London.

He has served as CEO at AMREF's Lomidat Meat Processors, General Manager at Kenya Airways, and General Manager at Kenya Airports Authority. He served as Project Manager, Supply Chain Manager, Bottling Manager and Distribution Manager at East African Breweries Limited.

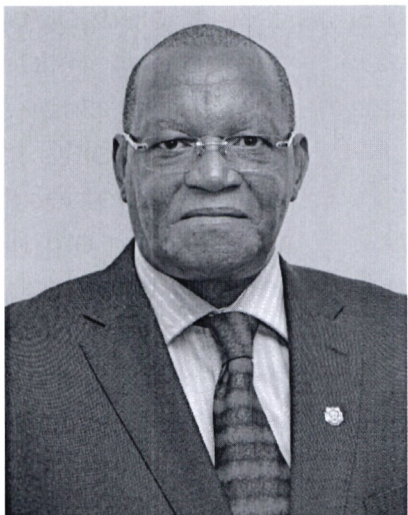
He sits on the Water Services Regulatory Board in addition to boards of several schools.



Date of appointment: March 25, 2022

D.O.B: November 2, 1957

Amb. Wellington Pakia Godo – Commission Member



Amb. Godo holds an MSc (Finance) degree from the University of Birmingham (UK) and a Bachelor of Arts degree from the University of Nairobi. He is a career civil servant who rose through the ranks in the civil service, having started off as District Officer.

He has served as the Permanent Secretary in the Office of the Vice President and in the ministries of Regional Development, Health, Tourism and Wildlife; and Gender, Sports, Culture and Social Services.

Amb. Godo has served as an Ambassador/Permanent Representative to UNEP, Chairman of the National Water Conservation and Pipeline Corporation, member of Kenyatta University

Council and member of the Universal Service Advisory Council.

Date of appointment: March 25, 2022

D.O.B: December 3, 1953

Celine Anyango Orata – Commission Member

Celine has a Bachelor of Arts degree in Business Administration from the University of Zambia and is an accomplished banker, company director, board member and professional mediator, experienced in building company infrastructure from the ground-up, spearheading strategy planning and development, operational and business excellence, and compliance with various trainings in Banking, Finance, Credit and Risk Management.



She has wide banking experience spanning over 27 years both locally and internationally and over 6 years in board membership in Kenya Women Finance Trust; currently Kenya Women Microfinance Bank; as well as a Treasurer and Board Member of the Kenya Girl Guides Association for a period of 6 years.

She is the current chairperson of the Barclays Bank Pensions SACCO and a Director at Suave Investments Limited. She has also been involved in community engagements which involves coaching, mentoring, advocacy, health promotions; and women and youth empowerment.

Date of appointment: March 25, 2022

D.O.B: July 15,1955

CPA David J. O. Nyakang'o – Commission Member



Mr. Nyakang'o holds a Master of Business Administration from the University of Cumbria in the United Kingdom. He is a Bachelor of Commerce (Accounting Option) graduate from the University of Nairobi.

Mr. Nyakang'o is a qualified Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya. He is also a Certified Secretary and a member of the Institute of Certified Secretaries of Kenya. He is a Corporate Governance Auditor accredited by the Institute of Certified Secretaries of Kenya.

Mr. Nyakang'o is an established leader in business with over 40 years' experience in financial management, audit, tax, company secretarial and corporate governance advisory services. His experience includes high-level finance management as the Financial Controller of Mumias Sugar Company and as Financial Accountant with Eastern Produce Africa Limited.

Mr. Nyakang'o has over 30 years' professional practice experience in accountancy, audit, and tax advisory with MDN Kenya LLP since 1992 as Managing Partner. Additionally, he has experience in company secretarial practice with Olmara Secretaries LLP, providing company secretarial services on an outsourced basis to ensure businesses operate within their underlying legislation/regulatory environment whilst observing best corporate governance practices. He has consulted variously and widely in business reorganizations and restructuring.

Mr. Nyakang'o has previously served as Non-Executive director of the Rural Electrification Authority of Kenya and Jamii Bora Bank Kenya Limited. He is a non-executive director of Metropol Corporation Limited and Metropol Credit Reference Bureau Limited.

Date of appointment: March 25, 2022

D.O.B: July 5,1956

Salah Adan Abdi – Commission Member

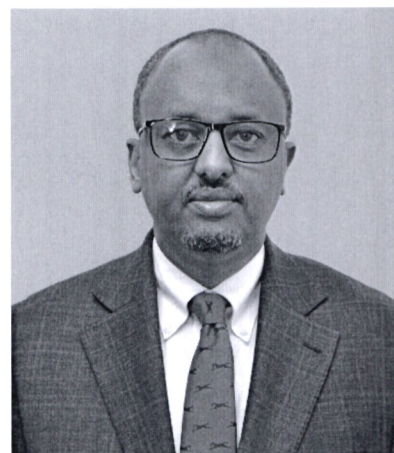
Salah holds a Master's degree in Business Administration (Strategic Management) from the Kenya Methodist University and a Bachelor of Human Resource Management degree from Kenyatta University.

He has considerable experience in the areas of Devolution, Governance and Management and is currently, the Technical Advisor on ASAL to the Cabinet Secretary for Devolution and ASAL.

Previously, he has served as the County Executive for Finance and Economic Planning in Wajir County from 2013 to 2017;

Managing Director, Jubba Airways Limited, Director, International Commercial Bank of Juba (South Sudan), Human Resource/ Administration Director at Mercy Corps, Ethiopia amongst other notable postings.

He is a Member of the Institute of Human Resource Management (IHRM).



Date of appointment: March 25, 2022

D.O.B: January 1, 1974

Mr. Joseph Koskey- Executive Director/CEO



Joseph is the Executive Director/CEO and holds an MBA (Strategic Management) and Bachelor of Commerce (Accounting) degrees from the University of Nairobi and is currently pursuing a PhD in Business Administration at the same University. He is a member of ICPAK, the Institute of Certified Secretaries of Kenya and the Institute of Directors, Kenya. He is a certified trainer on Corporate Governance as well as certified Governance Auditor.

Joseph has over 29 years business management experience gained in diverse industries, 22 years of which have been in senior leadership and management positions. He has a distinguished leadership career with a proven track record of achievements (both in the private and public sectors) in revenue growth, productivity improvement, operational excellence and bottom-line turnaround.



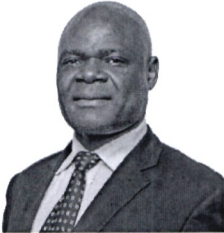
Prior to his appointment to the Commission, Joseph had served as the Group CEO at Sovereign Group Ltd, Managing Director at the Kenya Bureau of Standards and as Managing Director at Urgent Cargo Handling Ltd among others.




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

Date of appointment: November 1, 2018


DOB: January 29, 1970

3. MANAGEMENT TEAM

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

NAME OF STAFF	RESPONSIBILITY
 <p>Caroline Kittur Caroline has a Master of Business Administration degree in (Strategic Management) and a Bachelor of Arts degree in Sociology from Moi University; a Higher National Diploma in Human Resources Management from the Institute of Human Resource Management (IHRM); and an Executive Diploma in Industrial Relations from the United States International University – Africa (USIU-A). She is a practicing member of IHRM and a Certified Conflict Mediator.</p>	<p>HUMAN RESOURCE AND ADMINISTRATION Managing the Human Resources and Administration function.</p>
 <p>Sylvester Kamau: Sylvester holds a Master of Science (MSc) degree in Procurement and Logistics from the JKUAT and a CIPS Post-Graduate Professional Diploma in Procurement and Supplies. He also holds a Bachelor of Arts degree in Government and Public Administration from Moi University. He is currently pursuing his PhD. in Supply Chain Management from JKUAT. He is a registered and licensed member of the Kenya Institute of Supplies Management.</p>	<p>SUPPLY CHAIN MANAGEMENT Ensuring quality, effective and proactive procurement support services.</p>
 <p>Virginiah Kariuki: Virginiah is a holder of a Master of Business Administration degree (Strategic Management) and a Bachelor of Science degree in Business Administration (Accounting and Management) both from USIU-A. She is a CPA (K) and a CPS finalist. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK). She is also a Quality Management System ISO 9001:2015 Lead Auditor.</p>	<p>FINANCE & ACCOUNTS Sound financial management.</p>

NAME OF STAFF	RESPONSIBILITY
 <p>Maureen Saina Maureen is an advocate of the High Court of Kenya and a Certified Secretary holding a Masters' degree in Public Policy from the University of Strathclyde, Scotland a Post-Graduate Diploma in Legal Studies from Kenya School of Law and a Bachelor of Laws degree from Catholic University of Eastern Africa. She is a member of the Law Society of Kenya and Institute of Certified Secretaries of Kenya.</p>	<p>LEGAL AFFAIRS Managing legal affairs.</p>
 <p>Bessie Valerie Atieno: Bessie has a Master of Arts degree in Communication from Daystar University. She also holds a Professional Public Relations Diploma from the Chartered Institute of Public Relations (CIPR-UK) and a Bachelor of Arts degree in Language and Literary Studies (English Major) from Moi University. She is a member of the Public Relations Society of Kenya (PRSK). She is also a Quality Management System ISO 9001:2015 Lead Auditor.</p>	<p>CORPORATE COMMUNICATION Formulation and execution of a sound communication strategy.</p>
 <p>Shadrack Oriaro: Shadrack holds a Bachelor of Science degree (Information Technology) from JKUAT and a Master's in Applied IT at Africa Nazarene University. He possesses various professional certifications including CompTIA Project+, CCNP, CCDP, CCDA, CCNA and ITIL. He is a member of the Computer Society of Kenya.</p>	<p>ICT Managing Information Communication Technology.</p>

NAME OF STAFF	RESPONSIBILITY
 <p>Valentine Odhiambo: Valentine holds a Master of Business Administration (Strategic Management) and Bachelor of Commerce (Finance) degrees both from The University of Nairobi. She is a Certified Information Systems Auditor (CISA) and a CPA (K). She is a member ICPAK, Association of Women Accountants (AWAK) and the Information System and Control Association (ISACA).</p>	<p>INTERNAL AUDIT Managing internal controls in order to improve efficiency, transparency and accountability</p>

4. CHAIRMAN'S STATEMENT

Background Information

Pursuant to the provisions of Sections 15 and 16 of the Privatization Act, 2005, I am happy and honoured to present the Privatization Commission's Annual Report for the period ended 30th June 2022. During the year, the Commission's business slowed down due to lack of a duly constituted Board, which greatly hampered the progress of the implementation of the Privatization Programme and the recruitment of staff to fill critical positions. It is also worth noting that the term of the Commission's Chairman, Hon. Dr. Paul Nyongesa Otuoma, lapsed on 18th December 2021.

Economic Environment and Performance

The Commission operates within the context of an economy, that requires sustained growth in Gross Domestic Product, sustained at growth levels per annum that can create employment and improve quality of life for the citizens. Kenya's real gross domestic product (GDP) is projected to grow by 5.5 percent in 2022 and 5.2 percent on average in 2023–24. This growth rate, while still strong, will be a moderation following a remarkable recovery in 2021 from the worst economic effects of the pandemic, when the country's economy grew by 7.5 percent, much higher than the estimated average growth in Sub-Saharan Africa of 4 percent.

Strategy

As I mentioned earlier, work touching on the Commission's core mandate slowed significantly and at times ground to a halt, due to reasons that were beyond the Commission's control. Nonetheless, we made great strides in achieving strategic and non-strategic targets that were within the purview of Management.

Having operated without a duly constituted Board from 27th June, 2019 till 25th March, 2022, the vacant positions of Commission members were filled after six nominees were vetted and received Parliamentary approval to be appointed as members of the Privatization Commission. Pursuant to the provisions of Section 5 (1)(d) of the Privatization Act, Parliament approved the appointment of the following as Members of the Privatization Commission: Amb. Wellington Pakia Godo; Dr. Edward Nthiga Kobuthi; Ms. Celine Anyango Orata; Ms. Irene Njeri Wanyoike; Mr. David Nyakan'go; and Mr. Salah Adan Abdi.

The Commission finalized the development of the 2022/2027 Strategic Plan. The overarching goal of the plan is to achieve **accelerated implementation of the Privatization Programme and a strengthened Commission** anchored on:

- i. **Privatization Programme:** the key mandate of the Commission is to formulate, manage and implement the Privatization Programme. There are a number of desired national benefits that will accrue from the effective implementation of the Programme.
- ii. **Collaboration, Partnerships and Visibility.** There is need for the Commission to reposition itself and increase visibility and awareness in the public through enhanced media and other stakeholder collaboration and engagement.
- iii. **Institutional Capacity:** The Commission continued to strengthen institutional processes, systems and procedures for the successful implementation of the Privatization Programme.

I am also pleased to report that during the year, the Commission undertook the review of the Privatization legal framework, leading to the first draft Privatization Amendment Bill. This exercise, guided by the Kenya Law Reforms Commission, was extensively informed by the experiences of countries that have implemented their national privatization programmes effectively.

The recommendations submitted to the National Treasury following the review offer an opportunity to streamline the privatization processes to take a reasonably short period without compromising any necessary disclosure, transparency and accountability required of similar programmes.

During this period, there were no privatizations and as a result, the financial statements for the year do not carry a statement of the assets and liabilities and the proceeds from privatization of any state corporation.

We look forward to doing even better for the benefit of the country, with the continued support of the National Government, its agencies and all our stakeholders.



MR. FAISAL ABASS
CHAIRMAN, PRIVATIZATION COMMISSION

5. REPORT OF THE EXECUTIVE DIRECTOR/CEO

The FY 2021/2022 was a challenging one but we look back at it with pride because we managed to achieve a lot in fulfilment of our vision and mission. The year ended on a positive note with the appointment of new Commission Members. In the period under review, Privatization Commission also developed a new five-year Strategy for the period 2022 – 2027, which sets out our strategic direction towards the achievement of the Commission's mandate.

Management continued to provide technical and administrative support to the National Treasury on general privatization issues and specific issues that relate to transactions pending approval at various stages; and continually undertook sensitization on the privatization process through various channels. The Commission also undertook several activities that included the review of the Privatization Legal Framework on basis of which the Commission made recommendations to the National Treasury to streamline the privatization process. We also undertook capacity-building initiatives for the Commission members and staff that among others included training on Privatization, Corporate Governance and Risk Management. Cumulatively, the activities undertaken by the Commission during the year add to existing preparatory work that makes it possible to swiftly proceed with the implementation of remedial work on each of the institutions under the Programme, without any further delay.

With the appointment of the Board, the Commission will now work with speed on the implementation of the Privatization Programme. Already, work is ongoing and consultations taking place for the privatization of the three Kenya Development Corporation (KDC) associated Hotels, whose approval had been granted earlier. The associated hotel companies include International Hotels Kenya Limited which owns Hilton Hotel, Nairobi, Kenya Hotel Properties Limited which owns the Intercontinental Nairobi and Mountain Lodge.

We are very grateful to the Commission Members for the continued guidance and commitment to the Commission's work and the National Treasury for its financial and administrative support. We are also grateful to the other stakeholders who contributed significantly to the Commission's work and the Commission's staff for the continued commitment to the Commission.

JOSEPH KOSKEY
EXECUTIVE DIRECTOR/CEO

6. STATEMENT OF PRIVATIZATION COMMISSION PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

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

Privatization Commission had four strategic pillars and objectives within its Strategic Plan for the FY 2016/2017 – 2020/2021. In the absence of a duly constituted board to formulate a new strategic plan, management continued to conduct the Commission activities guided by the strategic pillars enumerated in the 2016/2017- 2020/2021 Strategic Plan as follows:

- i. Effective and efficient implementation of the Privatization Programme
- ii. Strengthening Institutional Capacity
- iii. Enhance Corporate Governance
- iv. Mobilization and optimal utilization of Resources

The Privatization Commission developed its annual work plan based on the above four pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. However, in FY 2021/2022 the Commission did not have a fully constituted Board until 25th March 2022. The Commission therefore only achieved performance targets set for the FY 2021/2022 period for its four strategic pillars under the purview of Management, as indicated in the table below:

Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
Effective and efficient implementation of the privatization programme	To finalize implementation of the current Privatization Programme by 2022	Undertake preparatory work for 16 enterprises.	Preparation and submission of due diligence reports. Convening of Privatization Implementation Committee (PIC) meetings to review the reports.	The due diligence reports were prepared and reviewed pending presentation and approval by the Privatization

Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
			<p>Convene Privatization Steering Committee meetings to approve the reports.</p> <p>Prepare and submit Specific privatization proposal for 7 entities at the preparatory stage.</p>	Steering Committee.
		Implementation of the 9 approved transactions by 2022.	<p>Convene the Privatization Steering Committee meetings.</p> <p>Conduct Business valuation for each of the 9 entities.</p> <p>Advertise for the Expression of Interest in the entities.</p> <p>Complete the privatization process by identifying the new investor.</p>	This was not achieved due to lack of a fully constituted Board.
		Build and strengthen strategic partnerships with key stakeholders for successful implementation of the Privatization Programme.	Continuously engage key stakeholders in the privatization process.	Management engaged key stakeholders however, the activity was limited by the absence of a fully constituted Board and the Covid-19 pandemic.
	To achieve a harmonious legal	Number of reports on proposed	Conduct a review of the legal framework and additional areas	Proposed amendments to the Act were

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Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
	framework for the Privatization Programme	amendments Number of Reports on Harmonization of relevant laws	requiring update. Submission of proposed amendments to the National Treasury & Planning.	prepared and presented to Management and the first group of stakeholders, (Transaction Advisors) giving rise to the development of the First Draft Privatization Amendment Bill, 2021. Upon assumption of office by the board, the proposed amendments were presented and changes incorporated. The revised amendments were submitted to the National Treasury & Planning.
Strengthening Institutional Capacity	To improve existing infrastructure and foster innovation	Implement Automation plan	Carry out ICT infrastructure assessment. Implement ICT Assessment report.	The following projects were implemented under the Automation Plan <ul style="list-style-type: none"> • eBoard Management Systems for Board Meetings.

Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
				<ul style="list-style-type: none"> • ICT hardware upgraded. • Phase 2 of EDMS for document management. • Phase 2 of Navision Dynamics Business Central ERP system.
	To attract, develop and retain adequate capacity for efficient and effective implementation of the Privatization Programme	Number of staff trained in the period under review. Annual Staff Performance Appraisal Report Employee Satisfaction and Work Environment Survey Report. Culture Change Survey Report.	Implement approved training programme. Monitor staff performance and implement recommendations from Staff Appraisal Report. Implement HR Policy Instruments. Implement applicable recommendations from the surveys.	Successfully undertook Training Needs Assessment. Implemented approved training programme. Implemented recommendations of institutional skills gap analysis-professional registration and training Strengthened performance management for staff.

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Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
				<p>Implemented HR Policy Instruments – recruitment, provision of working tools, improved work environment.</p> <p>Carried out HR surveys on Employee Satisfaction, Work Environment and Culture Change.</p>
	To establish a functional Resource Centre by 2022	<p>Annual Report on Knowledge Management</p> <p>Functional Resource Centre</p>	Establish Knowledge management systems.	<p>Implemented a Knowledge Management Policy</p> <p>Trained staff in Knowledge Management.</p> <p>Established a functional Resource Centre.</p>
Enhance Corporate Governance	To enhance public awareness, image and perception.	Improve corporate image	Conduct a Branding Assessment.	Branding assessment undertaken.
			Develop and implement the Communication	The Communication Strategy was

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Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
			Strategy	developed, pending Board approval.
			Develop and implement the Commission's branding strategy.	The Commission implemented the Branding Strategy.
	To implement the Risk Management Strategy.	<ul style="list-style-type: none"> Reviewed Commission's Enterprise Risk Management Framework (ERMF). Number of trained Commission and staff on ERM 	<p>Implement the ERM Framework</p> <p>Review and implement the ERM Framework.</p>	<p>Automated ERM reporting.</p> <p>Implemented ERM Framework.</p> <p>Engaged a consultant to review the ERM Framework</p>
	To enhance linkages and maintain working relationships with stakeholders and partners	Report on updated Stakeholder Database.	Update reports on Stakeholders Database.	Updated stakeholder Database available on the Customer Relationship Management (CRM) module on ERP.
		Number of stakeholder engagement activities.	Prepare and implement nine Stakeholder Engagement Strategies (for each approved privatization transaction).	One Strategy prepared upon assumption of Office by the Board; pending implementation .
	Mobilization and	To effectively	Percentage increase in	Lobby for adequate allocation of funds.

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Strategic Pillar	Strategic Objectives	Key performance Indictors	Activities	Achievements
optimal utilization of Resources	lobby, utilize and account for financial resources.	government funding. Optimal utilization of resources. Accurate financial reporting	Utilize all allocated funds Timely preparation of financial reporting	request for additional funding was granted by the National Treasury. Funds allocated to activities under the purview of Management were broadly utilized. Annual report and financial statements were prepared on time

7. CORPORATE GOVERNANCE STATEMENT

Policy on Corporate Governance

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

Commission Charter

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

Appointment and Composition of the Commission Board

The Commission's Board is established under Section 5 of the Privatization Act and comprises of eleven (11) members given the nature of privatization which includes a privatization steering committee also composed of board members. The membership is comprised of the Chairman, the Attorney General, Principal Secretary- National Treasury, the Executive Director/CEO and seven (7) other members appointed through a competitive process and approved by the National Assembly by virtue of their expertise in such matters as will ensure that the Commission achieves its objectives.

The Chairperson is appointed by the President of the Republic of Kenya while the Members of the Commission are appointed by the Cabinet Secretary, National Treasury following approval by the National Assembly. One (1) member was reappointed in October 2019 and six (6) other members appointed on 25th March 2022 for a period of three years. The Chairman's term lapsed on 18th December 2021. To address membership gaps and quorum issues, an amendment to ensure board appointments are initiated a year before expiry has been proposed in review of the Privatization Act. As enshrined in the Act, the Chairman and members may resign by written resignation addressed to the relevant appointing authority.

Out of the eleven members, seven (7) are independent, one (1), the ED/CEO is executive, two (2) alternate members and the Chairman. The Board as constituted complies with constitutional gender balance requirements with female members constituting one third of the membership. As disclosed in Section 2 above, the board has a mix of skills and experience in law, strategic management, financial management and accounting, human resources, banking, corporate governance and alternative dispute resolutions. The Section specifically discloses their age, professional background and experience arising from where they have worked previously and the professional bodies that they belong to. Noteworthy, all the members are in good standing in their respective professional bodies.

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

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

II. The Audit Committee

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

III. The Human Resources & Risk Management Committee (HRRMC)

considers all matters associated with the policies and practices of the Organization in relation to its human resources and risk management.

IV. Privatization Steering Committees (PSCs)

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

The membership of the committees is tabulated below:

Name of the Committee	Members
Audit Committee	<ol style="list-style-type: none"> 1. CPA. David J.O. Nyakang'o (Chairing) 2. Salah Adan Abdi 3. Abraham Koech, Alt. CS, National Treasury 4. Sharon Irungu-Asiyo, Alt. Attorney General
Finance and Strategy Committee	<ol style="list-style-type: none"> 1. John J. Tito (Chairing) 2. Amb. Wellington Pakia Godo, CBS 3. Celine Anyango Orata 4. Abraham Koech, Alt. CS, National Treasury 5. Joseph Koskey, Executive Director/CEO
Human Resource and Risk Management Committee	<ol style="list-style-type: none"> 1. Irene Njeri Wanyoike (Chairing) 2. Dr. Edward N. Kobuthi 3. Abraham Koech, Alt. CS, National Treasury 4. Sharon Irungu-Asiyo, Alt. Attorney General 5. Joseph Koskey, Executive Director/CEO
<ul style="list-style-type: none"> • Agro-Chemical & Food Company Ltd. Privatization Steering Committee (PSC) • Public Sector Owned/Controlled Sugar Companies (Chemelil, Miwani Muhoroni, Sony & Nzoia-PSC) 	<ol style="list-style-type: none"> 1. Dr. Edward N. Kobuthi (Chairing) 2. Irene Njeri Wanyoike 3. CPA David J.O. Nyakang'o 4. Celine Anyango Orata 5. Abraham Koech, Alt. CS, National Treasury 6. Sharon Irungu-Asiyo, Alt. Attorney-General 7. Joseph Koskey, Executive Director/CEO 8. Principal Secretary of Ministry Responsible for the Asset.
<ul style="list-style-type: none"> • Public Sector Owned/Controlled Hotels {Kenya Safari Lodges & Hotels (Mombasa Beach, 	<ol style="list-style-type: none"> 1. Amb. Wellington Pakia Godo CBS (Chairing) 2. Dr. Edward N. Kobuthi 3. John J. Tito 4. Abraham Koech, Alt. CS, National Treasury

<p>Ngulia Lodge & Voi Lodge), Golf Hotel, Kabarnet Hotel, Mt. Elgon Lodge & Sunset Hotel} PSC</p> <ul style="list-style-type: none"> • TFC Associated Hotels {Intercontinental, Hilton, Mountain Lodge & Ark Limited} PSC 	<ol style="list-style-type: none"> 5. Sharon Irungu-Asiyo, Alt. Attorney-General 6. Joseph Koskey, Executive Director/CEO 7. Principal Secretary Responsible for Asset
<ul style="list-style-type: none"> • Banks (Consolidated Bank of Kenya Limited, Development Bank of Kenya Limited) PSC 	<ol style="list-style-type: none"> 1. Celine Anyango Orata (Chairing) 2. Salah Adan Abdi 3. John J. Tito 4. Abraham Koech, Alt. CS, National Treasury 5. Sharon Irungu-Asiyo, Alt. Attorney-General 6. Joseph Koskey-Executive Director/CEO 7. Principal Secretary Responsible for the Asset.
<ul style="list-style-type: none"> • Kenya Wine Agencies Limited-PSC • Kenya Meat Commission-PSC 	<ol style="list-style-type: none"> 1. Salah Adan Abdi (Chairing) 2. Amb. Wellington Pakia Godo, CBS 3. Irene Njeri Wanyoike 4. CPA David Nyakang'o 5. Abraham Koech, Alt. CS, National Treasury 6. Sharon Irungu-Asiyo, Alt. Attorney-General 7. Joseph Koskey, Executive Director/CEO 8. Principal Secretary Responsible for the Asset.

NB: No member of the Audit Committee except the Alternate, National Treasury is a member of the Finance & Strategy Committee.

Board Meetings

The meetings of the Board are held quarterly and on a need basis. The Commission's core mandate, privatization, is also transacted through Steering Committee meetings. The Board from time to time holds consultative meetings with the National Government, the Board and Management of the entities being privatized and other stakeholders in order to seek views on matters relating to the various privatization transactions. The ED/CEO is the Secretary to the Commission however, this role is delegated to a certified secretary within the Commission. In view of good corporate governance, separation of roles between the ED/CEO and corporation secretary is proposed in review of the Act. The Board work plan and calendar of meetings are prepared in advance. Adequate notice is given for meetings and the agenda and board papers are circulated within the stipulated timelines in line with the *Mwongozo Code of Conduct*.

The Board held five (5) Commission board meetings and two (2) retreats to

undertake induction and deliberate on items which could not be discharged during normal board meetings. The number of board and committee meetings held during FY 2021/2022 are tabulated below:

	Board Member	Designation/Classification	F&S	HRRMC	Audit	Privatization Steering Committees	Commission Board	Total Number of Meetings
			No of meetings attended	No of meetings attended	No of meetings attended	No of meetings attended	No. of meetings attended	
1	Irene Njeri Wanyoike	Independent Member	N/A	5	N/A	N/A	5	10
2	Dr. Edward Kobuthi	Independent Member	N/A	3	N/A	N/A	5	8
3	John Joseph Tifo	Independent Member	1	N/A	N/A	N/A	4	5
4	David J. O. Nyakang'o	Independent Member	N/A	N/A	1	N/A	5	6
5	Salah Adan Abdi	Independent Member	N/A	N/A	1	N/A	5	6
6	Amb. Wellington P. Godo	Independent Member	1	N/A	N/A	N/A	5	6
7	Celine Anyango Orata	Independent Member	1	N/A	N/A	N/A	5	6
8	Sharon Irungu-Asiyo	Member, Alt. AG	N/A	5	1	N/A	5	11
9	Abraham K. Koech	Member, Alt. NT	1	5	1	N/A	5	12
10	James Wang'ombe	Rep. Inspectorate of State Corporation	N/A	3	N/A	N/A	2	5

Role and Functions of the Board

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

Upon appointment, the board identified and addressed its roles and functions within the year that included but were not limited to:

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

Through the steering committee established under Section 27 of the Privatization Act, the Board is able to obtain advice from experts in relation to privatization transactions. An annual board work plan touching on the Commission's core mandate, stakeholder management and institutional capacity building is developed in line with the Commission's Strategic Plan which is monitored and reviewed periodically. The financial plan which sets out the operational and financial objectives is approved by the board to facilitate its implementation.

Board Remuneration

Board members are entitled to a monthly retainer, sitting allowance for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and mileage reimbursement where applicable. This

is done in line with the prevailing Government Circulars. In addition, the Chairman is paid a monthly honorarium.

Board Induction and Training

Upon appointment to the Board, new Commissioners embarked on a detailed programme to familiarize themselves with the Commission's mandate and operating environment. Corporate literature and key laws and regulations were provided to the Board members and meetings arranged with Management to sensitize them on the operations of the Commission. To enable the Board to discharge its obligation effectively, the Commission engaged the services of external experts to advise the board on various issues. A competence needs assessment was carried out and an annual training programme put in place to equip the members with the necessary skills to facilitate execution of the board's functions.

Board Performance

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

Code of Ethics

The Commission takes cognizance that good corporate governance is a key contributor to the Commission's overall long-term success. This is achieved by instilling the culture of adhering to high standards of ethics in the organization. The board is committed to ensuring that ethics and integrity remain core to the Commission's operations. In the 2021/2022 FY, the Code of Ethics was shared with the new commission members who signed it and committed to adhere to its principles and provisions. A self-assessment is done periodically to ensure that the board and staff have complied with the code of conduct.

Whistle Blowing Policy

The Commission has a whistle blowing policy that helps Management to prevent

and/or deter suspected fraudulent, immoral, unethical and malicious activities.

To guide implementation, a whistle blowing portal has been developed and is accessible on its website and hotline number specifically for forwarding complaints relating to unethical conduct. Staff are sensitized on the same and the channels which they can use to report suspicious activities without being jeopardized.

Statutory Compliance and Governance Audit

Legal and statutory compliance was carried out internally on a quarterly basis and reported to the Board for information and approval. The approved quarterly reports were submitted to the State Corporation Advisory Committee and National Treasury. To complement this exercise, the Commission engages external legal compliance auditors to conduct Statutory Compliance Audit biennially. In FY 2019/2020 the Commission engaged the services of Kenya School of Law to carry out statutory legal compliance and governance audit. The audit covered provisions of the Constitution, Privatization Act, Financial laws, Procurement laws and Mwongozo Code of Conduct among others. Implementation of the recommendations of the audit report within the purview of Management was done pending those that require board intervention.

Conflict of Interest, Disclosure and Purchase of Shares

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

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

Policies and procedures

Risk Management

The Commission has a robust Enterprise Risk Management Framework. The Human Resource and Risk Management Committee of the Board reviewed high risks on quarterly basis and gave necessary recommendations

IT Governance

The Commission has put in place an ICT Policy that is responsible for IT governance. The ICT Policy was implemented by integrating it with the Commission's strategy and business processes.

Communication Policy

The Commission has a Communication Policy that provided for effective communication with shareholders, other stakeholders and the general public. With this, the Commission provided complete, timely, accurate, honest and accessible information to our stakeholders, tied to the requirements of the Access to Information Act and Section 8 of the Public Service (Values and Principles) Act, 2015.

Relationship with Stakeholders

The Commission developed a Stakeholder Engagement Strategy that defines how we relate with our stakeholders. The document identified the stakeholders and analyzed their expectations to provide guidance on how to proactively deal with stakeholder groups.

8. MANAGEMENT DISCUSSION AND ANALYSIS

A. Operational Performance

Undertake Preparatory Work for 16 Entities

The Commission committed to undertake work of updating the due diligence for several entities and consequently present the due diligence reports to the Commission for the following entities:

1. Agro Chemical & Food Company;
2. Kenya Wine Agencies Ltd.;
3. International Hotels Kenya Limited (Hilton);
4. Kenya Hotel Properties Ltd (Intercontinental)
5. Mountain Lodge;
6. Kabarnet Hotel;
7. Mt. Elgon Hotel;
8. Golf Hotel Limited;
9. Sunset Hotel;
10. Kenya Safari Lodges & Hotels Limited; and
11. Kenya Meat Commission.
12. Nzoia Sugar Company Ltd.;
13. Chemelil Sugar Company Ltd.;
14. Muhoroni Sugar Company Ltd. (Under Receivership);
15. Miwani Sugar Company Ltd. (Under Receivership); and
16. South Nyanza Sugar Company Ltd.

The due diligence reports were prepared and are pending presentation and approval by the Privatization Steering Committee of the Board. The Commission did not have a fully constituted Board for the first three quarters in FY 2021/2022.

Implementation of approved nine (9) privatization transactions.

The Commission envisaged to implement at least two (2) transactions from the following approved Privatizations.

1. International Hotels Kenya Limited (Hilton)
2. Kenya Hotels Properties Limited (Intercontinental)
3. Mountain Lodge Limited, and
4. Kenya Wines Agencies Limited (KWAL)
5. Nzoia Sugar Company Ltd.;
6. Chemelil Sugar Company Ltd.;

7. Muhoroni Sugar Company Ltd. (Under Receivership);
8. Miwani Sugar Company Ltd. (Under Receivership); and
9. South Nyanza Sugar Company Ltd.

The Commission did not have a fully constituted Board to progress further the privatization of the approved transactions. This target was not achieved due to the absence of a fully constituted Board for the first three quarters in the FY 2021/2022 and change of government policy that directed review of the privatization model of the 5 sugar factories.

Review of the Privatization Legal Framework

The Commission undertook the review of the Privatization legal framework, leading to the First Draft Privatization (Amendment) Bill, 2021. This exercise, guided by the Kenya Law Reform Commission, was extensively informed by the experiences of countries that have implemented their national privatization programmes effectively.

Research Services

The Commission continued to implement the recommendations of the Research titled **Comparative Analysis of Privatization and Government Divestiture: Challenges and Opportunities** that did not require approval by the Commission/Board to be executed.

Human Resource Management

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

The Commission actualized the Presidential directive for internship and attachment programmes with the aim of building capacity of youth in the labour market. Towards this end, the Commission recruited four (4) young graduates below the age of twenty-five (25) years into the programme.

In its effort to enhance employees' welfare, the Commission promoted employee

well-being at the workplace by providing services and benefits that not only motivated them but also enhanced their productivity. These included the provision of a staff medical scheme, Group Personal Accident cover (24 hours), Group Life, an annual employee wellness program, and a Mortgage and Car loan scheme.

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

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

The Commission took several steps towards capacity enhancement. The annual Capacity Building/Staff training programme was developed at the beginning of the financial year and implementation undertaken for the rest of the year. Most of the staff were trained in various skills as per their training need assessments

A survey on employee satisfaction, work environment and the Commission's existing culture and values was undertaken during the financial year and the recommendations from the survey will be implemented as appropriate.

To address the office space inadequacy, the commission sourced for a more spacious office at the NSSF Annex and this enabled a relocation from Extelcoms House. This move has ensured that the Commission complies with the guidelines of the OSHA Act of 2007 and its regulations thereof. This also has improved the work environment resulting to motivated staff and improved work performance

The Commission developed and implemented Human Resource Policy Instruments among them are;

- a) Privatization Staff Establishment of 2019;
- b) Privatization Commission HR Policies and Procedures Manual of 2019;
- c) Privatization Commission Career Progression Guidelines of 2019;

d) Privatization Commission Grading structure and Organizational Structure of 2019.

These HR instruments enabled the Commission to establish two forms of employment;

- a) Contract Employees from PC3 to PC1
- b) Permanent and Pensionable employment at PC4 to PC10, this combination of terms of employment has enabled the Commission to attract the best talent from the labour market, develop through training and retain its acquired talent.

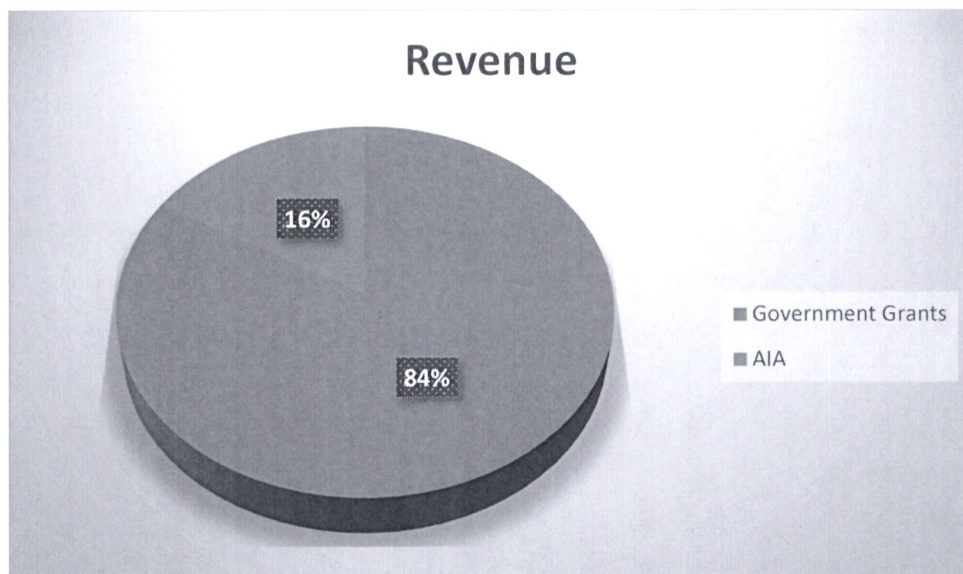
Establish a Functional Resource Centre by 2022

The Commission established Knowledge management systems by benchmarking documents and implementing best practices in all functional areas. The Commission also implemented the Commission's Knowledge Management Policy and established a functional Resource Centre.

Summary of Financial Performance

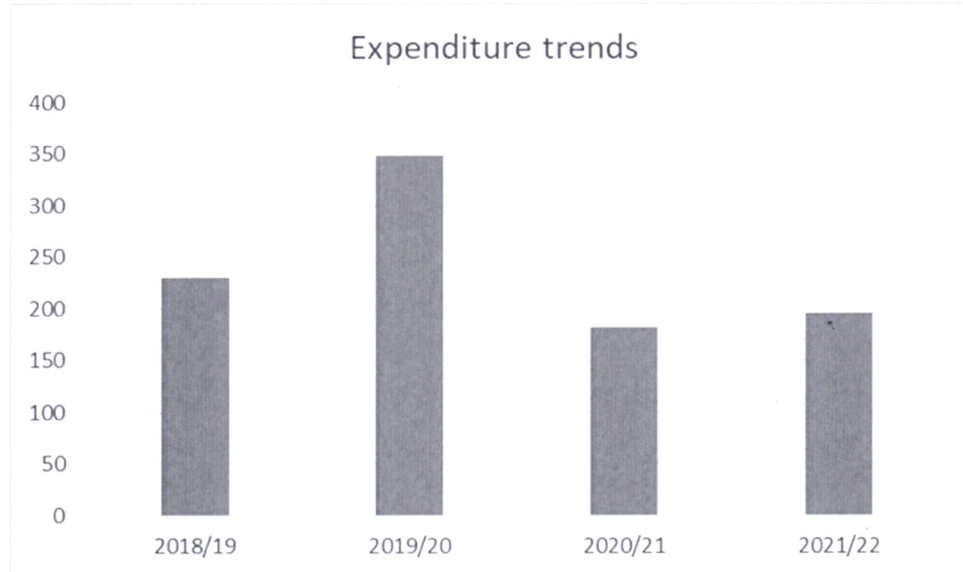
Receipts

Privatization Commission total receipts summed up to kshs.152,263,322 comprising mainly exchequer releases and AIA form interest income.



Payments

Privatization Commission spent kshs224,138,229 against an approved budget of kshs 797,136,619 representing an absorption rate of 29%. The GoK financial expenditure for the last 4 years is as follows:



Key Projects-ICT

The Commission developed the ICT automation plan and has implemented the following:

- Upgraded the email system for communication that supports online meetings and data collaborations.
- Upgraded the telephone communication system.
- Upgraded ICT Infrastructure (which includes the servers and storage devices, firewall, laptops, tablets, IP telephony headsets.)
- Implemented Access Control and CCTV.
- Upgraded the Commission's website.
- Upgraded the ERP system.
- Implemented EDMS for document management.
- Implemented the E-Board for board meetings.

Compliance with Legal and Statutory Requirements

Internal legal & statutory compliance audit was conducted during the year. The audit divulged that the Commission is broadly compliant. No major noncompliance issues that would otherwise expose the Commission to potential contingent liabilities were detected.

Major Risks

The risk management report discusses various dimensions of our enterprise risk management. Uncertainties in the public sector are part of the commission's everyday management. We monitor and manage our exposures to various risks in a structured and proactive way.

Our Enterprise Risk Management (ERM) framework encompasses practices relating to the identification, analysis, evaluation, treatment, mitigation and monitoring of the strategic, operational, legal, and compliance related risks to enable achievement of the Commission's key business objectives. ERM at the Privatization Commission seeks to minimize the adverse impact of these risks, thus enabling the commission to leverage on opportunities effectively.

The Board of Directors is ultimately responsible for the governance of risk management at the Commission.

9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i. Sustainability Strategy and Profile

We are committed to providing quality service in a manner that ensures a safe and healthy workplace for our employees and minimizes our potential impact on the environment. We operate in compliance with all relevant environmental legislations and we strive to use environmental best practices in all we do.

ii. Environmental Performance

To realize this, the Commission's Environmental Policy has put in place the following measures:

- Integrated environmental concerns and impacts into all of our decision-making and activities. Due diligence reports for all our transactions include an Environmental Due Diligence to ensure compliance with both international and national environmental laws;
- Promoted environmental awareness among our employees and encourage them to work in an environmentally responsible manner;
- Reduced waste through re-using and recycling and by purchasing recycled, recyclable or refurbished products and materials where these were available, economical and suitable;
- Promoted efficient use of materials and resources throughout our offices including water, electricity and other resources, particularly those that are non-renewable;
- Waste disposal management;
- Use of technology (EDMS and ERP) to achieve a paperless Commission and reduce use of paper;
- Purchased and used environmentally friendly products;
- Communicated our environmental commitment to clients, customers and the public; and
- Continually sought to improve environmental performance.

iii. Employee Welfare

The Commission has HR Policy and Procedure Manual which guides the process of hiring, gender ratio and which greatly takes into consideration stakeholder views. The Commission has in place Career Guidelines which guide on succession and career development for staff. At end of every year staff appraisal is carried out and sanctions and rewards are implemented.

Additionally, the Commission recognizes that in addition to offering pay benefits and a healthy working environment for employees, their emotional and social needs should also be catered for as they discharge their duties.

Consequently, the Commission implemented the Health and Safety Policy that addresses the various social and health challenges confronting employees in the work place among them: HIV/AIDS policy, ensuring a clean, smoke-free, safe and healthy work environment as well as providing a comprehensive medical cover including last expense for the staff and their families.

iv. Market Place Practices

a. Responsible Competition Practice

The Commission ensures there is responsible competition practice in the acquisition of goods, services and works through use of open tenders and other appropriate procurement methods, analysis and comparisons of tenders by independent ad hoc evaluation committees and total compliance with Article 227 of the Constitution of Kenya, the PPADA 2015, the PPAD Regulations of 2020, PFM Act 2012 and any other attendant circulars issued by the relevant authorities.

b. Responsible Supply Chain and Supplier Relations

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

The Commission carries out annual sensitization on procurement opportunities to special groups.

v. Corporate Social Responsibility/Community Engagement

The Commission has an annual CSR work plan that was fully implemented in the period under review. The Commission carried out the following CSR activities:

a) Tree Planting at Kereita Forest: The Commission, in conjunction with Nature Kenya and the Kijabe Environmental Volunteers conducted tree planting activity in Kereita Forest on 20th May 2022.

b) Road Safety Campaign: The Commission procured and distributed high-resolution (reflector) vests and branded umbrellas. The reflector vests were distributed to boda boda riders stationed around Bishops Road, while the umbrellas were issued to traffic police officers. This was part of the initiatives the Commission has been undertaking to create awareness on Road Safety that included training of boda boda riders on safety measures.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Privatization Commission's affairs.

i) Principal Activities

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

ii) Results

The results of the entity for the year ended June 30, 2022 are set out on page 1 to page 39.

iii) Directors

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

iv) Surplus Remission

Privatization Commission did not make any surplus during the year 2021/22 and hence no remittance to the Consolidated Fund.

v) Auditors

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

By Order of the Board



Joseph Koskey
EXECUTIVE DIRECTOR/CEO

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the state Corporations act, and section 16 of the privatization Act 2005 require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year and the operating results of the entity for that year. The Directors are also required to ensure that the Privatization Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Privatization Commission. The Directors are also responsible for safeguarding the assets of the Privatization Commission.

The Directors are responsible for the preparation and presentation of the Privatization Commission's financial statements, which give a true and fair view of the state of affairs of the Privatization Commission for and as at the end of the year ended on 30th June 2022.

This responsibility includes:

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

The Directors accept responsibility for the Privatization Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Privatization Act 2005.

The Directors are of the opinion that the Privatization Commission's financial statements give a true and fair view of the state of Privatization Commission's

transactions during the period ended June 30th, 2022, and of the Privatization Commission's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Privatization Commission, which have been relied upon in the preparation of the Privatization Commission's financial statements as well as the adequacy of the systems of internal financial control.

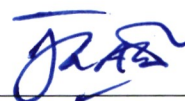
Nothing has come to the attention of the Directors to indicate that the Privatization Commission will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Privatization Commission's financial statements were approved by the Board on 22nd Sept 2022 and signed on its behalf by:



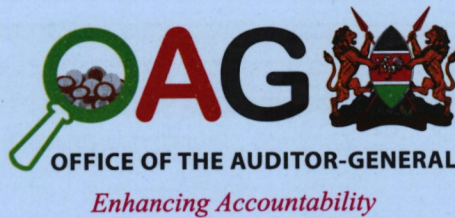
Mr. Faisal Abass
Chairman
Privatization Commission



Mr. Joseph Koskey
Executive Director /CEO

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON PRIVATIZATION COMMISSION FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Privatization Commission set out on pages 1 to 37, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net

assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects the financial position of the Privatization Commission as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Privatization Act, 2005 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Privatization Commission Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Emphasis of Matter

Failure to Implement the Commission's Core Mandate

As disclosed under Key Entity Information and Management Section of the annual report and financial statements, the Privatization Commission began its operations in February, 2008. Since then, the Commission has successfully completed the privatization of only one public enterprise. The current approved privatization programme has a list of twenty-five (25) public enterprises identified for privatization. The Commission has therefore not effectively carried out its mandate on privatization of public enterprises. Management has attributed this failure to lack of a fully constituted Board of Directors from June, 2019 to March, 2022.

My opinion is not modified in respect of the above matter.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.797,136,619 and Kshs.792,389,941 respectively, resulting to an under-funding by Kshs.4,746,679 or 0.6% of the budget.

Similarly, the Commission spent an amount of Kshs.195,303,677 against an approved budget of Kshs.670,195,741, resulting to an under-expenditure of Kshs.474,892,064 or 71% of the budget.

The under-expenditure affected the planned activities and may impact negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Implement E-Procurement System

During the year under review, examination of procurement records and processes carried out indicates that the Commission had not migrated its procurement systems to the e-procurement platform. This is contrary to the 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 and Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 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.

Although Management has indicated that it has done several letters to The National Treasury and the Public Procurement Regulatory Authority (PPRA) between October, 2019 to June, 2022 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 has therefore, not been migrated to the e-procurement platform at the time of the audit.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 March, 2023

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30TH JUNE 2022

		2021/2022	2020/2021
Revenue	Note	Kshs	Kshs
Revenue from non-exchange transactions			
Transfer from other government Entities	6	127,000,000	170,250,000
Revenue from exchange transactions			
Finance Income	7	25,253,322	28,806,244
Total Revenue		152,253,322	199,056,244
Expenses			
Employee costs	8	97,880,090	94,820,167
Medical & insurance	9	7,393,365	6,827,108
Board Expenses	10	13,136,375	2,486,469
Contracted services	11	9,633,859	8,019,922
Use of goods and services	12 (a)	60,620,236	45,051,568
Repairs & maintenance	13	6,639,752	2,394,380
Depreciation & amortization	14	28,834,552	24,060,827
Total Expenses		224,138,229	183,660,441
Surplus / (deficit) for the period		(71,884,907)	15,395,803
Other comprehensive income			
Revaluation Reserve			(10,165,295)
Total Comprehensive Income		(71,884,907)	5,230,508

The deficit was due to utilization of retained earnings to finance the recurrent expenditure.

The notes set out on pages 6 to 39 form an integral part of these Financial statements. The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by



Executive Director/CEO
Joseph Koskey



Head of Finance
Virginia Kariuki



Chairman of the Board
Faisal Abass

Date 22/09/2022


ICPAK No. 3706
Date 22/9/22

Date 22/09/2022


14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022

		2021/2022	2020/2021
	Note	Kshs	Kshs
ASSETS			
Current Assets			
Cash and Cash Equivalents	15	555,220,174	640,136,619
Receivables from Non-exchange Transactions	16	58,735,264	51,069,111
Inventories	17	444,622	603,885
Total Current Assets		614,400,060	691,809,615
Non- Current assets			
Property, Plant and Equipment	18	71,161,355	80,660,125
Intangible Assets- software	19	8,753,284	8,138,149
Total Non- current Assets		79,914,639	88,798,274
Total Assets		694,314,699	780,607,889
LIABILITIES			
Current Liabilities			
Trade and other payables	20	6,938,655	15,301,070
Provisions	21	33,913,793	39,959,661
Total Current Liabilities		40,852,448	55,260,731
Equity			
Revenue reserve		647,341,636	719,226,543
Revaluation Reserve		6,120,615	6,120,615
Total Equity		653,462,251	725,347,158
Total equity and liabilities		694,314,699	780,607,889

The Financial statements set out on pages 1- 48 were signed on behalf of the Board of Directors by:


Executive Director/CEO
Joseph Koskey


Head of Finance
Virginia Kariuki
ICPAK No. 3706


Chairman of the Board
Mr . Faisal Abass

Date 22/09/2022

Date 22/9/22

Date 22/09/2022

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2022

	Revenue Reserve	Revaluation Reserve	Total
	Kshs	Kshs	Kshs
Reserves as at 1st July, 2020	703,830,740	16,285,909	720,116,649
Surplus for the year	15,395,803		15,395,803
Revaluation	0	(10,165,295)	(10,165,295)
30th June 2021	719,226,543	6,120,615	725,347,158
Reserves as at 1st July, 2021	719,226,543	6,120,615	725,347,158
Surplus for the year	(71,884,907)		(71,884,907)
30th June, 2022	647,341,636	6,120,615	653,462,251

16. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30TH JUNE 2022

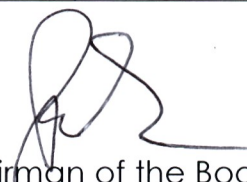
	Note	2021/2022	2020/2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government Grants		127,000,000	170,250,000
Other income		25,253,324	27,514,223
Total Receipts		152,253,324	197,764,223
Payments			
Employee costs	8	97,880,090	96,821,016
Medical & insurance	9	7,393,365	6,827,108
Board Expenses	10	13,136,375	2,486,469
Contracted services	11	9,633,859	135,738,757
Use of goods and services	12 (b)	82,535,409	40,693,448
Repairs & maintenance	13	6,639,752	2,394,380
		217,218,850	284,961,178
Total payments			
Net cash flows from operating	22	(64,965,528)	(87,196,955)
Cash flow from investing activities			
Purchase of Assets		(19,950,917)	(68,854,603)
Change in non- current items			(15,833,517)
Net cash flows used in investing		(19,950,917)	(84,688,120)
Net increase/(decrease) in cash and cash		(84,916,445)	(171,855,075)
Cash and cash equivalents at period		640,136,619	812,021,693
Cash and cash equivalents at period		555,220,174	640,136,619



Executive Director/CEO
Joseph Koskey



Head of Finance
Virginia Kariuki
ICPAK No. 3706



Chairman of the Board
Mr . Faisal Abass

Date 22/09/2022

Date 22/9/22

Date 22/09/2022

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16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2022

	Original Annual budget		Adjustments		Final Annual budget		Actual on cumulative to date		% of utilization		Notes
	Kshs		Kshs		Kshs		Kshs		Kshs		
Revenue											
Government Grants	127,000,000				127,000,000		127,000,000		100%		a
Other revenue	30,000,000				30,000,000		25,253,322		84%		b
Retained earnings	0		640,136,619		640,136,619		640,136,619		100%		c
Total income	157,000,000		640,136,619		797,136,619		792,389,941				
Expenses											
Employee costs	95,905,661		17,055,488		112,961,149		97,880,090		87%		d
Medical & insurance	9,104,339		5,795,661		14,900,000		7,393,365		50%		e
Board expenses	4,600,000		23,465,000		28,065,000		13,136,375		47%		f
Contracted services	8,800,000		405,606,941		414,406,941		9,633,859		2%		g
Use of goods & services	36,950,000		50,956,638		87,906,638		60,620,236		69%		h
Repairs & maintenance	1,640,000		10,316,013		11,956,013		6,639,752		56%		i
Total expenditure	157,000,000		513,195,741		670,195,741		195,303,677				
Surplus for the period							597,086,264				

Explanation of material variances

Original Budget Vs Final Budget

- a. Government Grants
No change
- b. Other revenue
No change
- c. Retained earnings
These were funds held by the organization at the beginning of the year. Approval to utilize the funds was granted in October 2021
- d. Personal Emoluments
The budget was revised to accommodate filling of critical positions not done during the year as budgeted for due to absence of fully constituted board
- e. Medical & insurance
The amount was increased to cater for actual cost of medical costs.
- f. Board expenses
Commission members were appointed on 25th March 2022
- g. Contracted services
The amount was increased to cater for outsourced services in respect to core mandate (transaction services, general consultancy, security and cleaning services)
- h. Use of goods and services
The amount was increased to support the operations of the Commission.
- i. Repairs and maintenance
The amount increased to support repairs and maintenance

Final Budget Compared to Actual Expenditure

- a. Government Grants
No change
- b. Other revenue
There was a reduction on funds available for investments hence reduction in the generated from investments
- c. Retained earnings
These were funds held by the organization at the beginning of the year. Approval to utilize the funds was granted in October 2021
- d. Personal Emoluments
Filling of critical positions not done during the year as budgeted for due to absence of fully constituted board

e. Medical & insurance

There was an expectation to introduce a new the outpatient medical entitlement in absence of a fully constituted board it didn't take place

f. Board expenses

Commission members were appointed from 25th March 2022

g. Contracted services

In absence of a dully constituted board transaction advisory services relating to core mandate were not procured within the year

h. Use of goods and services

Planned Stakeholder engagement forums and steering committee's meetings didn't take place as anticipated

i. Repairs and maintenance

Procurement of ERP support was not finalized within the year

Reconciliation and explanation of material variances

Revenue reconciliation

Revenue as per budget statement	KSh. 792,389,941
Less retained earnings	KSh. (640,136,619)
Revenue as per financial performance	KSh. 152,253,322

Expenditure reconciliation

Expenditure as per budget statement	KSh. 195,303,677
Expenditure as per the financial performance	KSh. 195,303,677

18. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. Adoption of New and Revised Standard

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of Privatization Commission's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between Privatization Commission's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial</p>

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For the period ended June 2022

Standard	Effective date and impact:
	<p>statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Privatization Commission.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Privatization Commission's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>The standard will not have any impact on privatization Commission Financial statements</i></p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st</p>

Standard	Effective date and impact:
	<p>January 2023.</p> <p><i>The standard will not have any impact on privatization Commission Financial statements</i></p>
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 cashflows of Privatization Commission.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities. The standard will be applicable to the Privatization Commission and will have an impact on lease reporting</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>The standard is not applicable to Privatization Commission</p>

iii. Early adoption of standards

Privatization Commission did not early – adopt any new or amended standards in year 2021/2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies (Continued)

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly on 30th June 2021. Subsequent revisions were made and approved in accordance with specific approvals from the appropriate authorities.

The Privatization Commission's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies (Continued)

c) Taxes

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Privatization Commission operates and generates taxable income.

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

d) **Property, Plant and Equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Privatization Commission recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies (Continued)

The annual depreciation rates in use are:

Motor vehicles	4 years
Furniture & fittings	8 years
Office Equipment	8 years
ICT equipment	3 years

e) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

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

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

f) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Inventories are recognized as expenses when deployed for utilization or consumption in the ordinary course of operations of the entity.

g) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies (Continued)

Where the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Contingent Liabilities

The Privatization Commission does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent Assets

The Privatization Commission does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an in-flow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

h) Nature and Purpose of Reserves

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

Revenue Reserves

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies (Continued)

Revaluation Reserves

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

revaluation decrease for the same asset previously recognized in the profit or loss, in which case the increase is credited to the profit or loss to the extent of the decrease previously expensed.

i) Changes in Accounting Policies and Estimates

The Privatization Commission recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

j) Employee Benefits

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

k) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Summary of Significant Accounting Policies (Continued)

Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l) Related Parties

The Privatization Commission regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Commission, or vice versa. Members of key management are regarded as related parties and comprise the Commission members, the CEO and senior managers.

m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

n) Comparative Figures

The comparative figures for the previous financial years' statement of financial performance have been changed due to reclassification of expenses

o) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Privatization Commission based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Commission. Such changes are reflected in the assumptions when they occur.

b) Useful Lives and Residual Values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty (Continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 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 which relate to 2021/22 financial year

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the entity sending the grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount recognized in capital fund	2021/2022	2020/2021
	Kshs	Kshs	Kshs	Kshs	Ksh
The National Treasury	127,000,000	0	0	127,000,000	170,250,000
Total	127,000,000	0	0	127,000,000	170,250,000

7. FINANCE INCOME

Description	2021/2022	2020/2021
	Kshs	Kshs
Interest income	23,836,652	27,514,223
Interest from staff car loan & mortgage	1,416,670	1,292,021
Total Finance income	25,253,322	28,806,244

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8. EMPLOYEE COSTS

	2021/2022	2020/2021
	Kshs	Kshs
Basic salaries	63,776,222	61,957,406
Casuals/Temporary Employees	399,708	5,225
House allowance	10,635,000	10,380,000
Remunerative allowance	1,200,000	1,200,000
Responsibility allowance	222,000	222,000
Acting/special duty Allowance	226,539	0
Commuter Allowance	2,580,000	2,580,000
Employer contribution to Pension Fund	6,819,756	6,654,316
Leave allowance	2,099,460	2,288,078
Telephone allowance	293,000	288,000
Non-practicing Allowance	360,000	240,000
Gratuity	9,200,005	8,940,342
Employer contribution to NSSF	68,400	64,800
Total	97,880,090	94,820,167

9. MEDICAL & INSURANCE

	2021/2022	2020/2021
	Kshs	Kshs
Medical Scheme	6,635,323	6,320,666
Insurance	758,042	506,442
Total	7,393,365	6,827,108

10. BOARD EXPENSES

	2021/2022	2020/2021
	Kshs	Kshs
Directors Emoluments	7,304,515	720,000
Chairman's Honoraria	485,516	1,044,000
Other allowances	5,346,344	722,469
Total	13,136,375	2,486,469

11. CONTRACTED SERVICES

	2021/2022	2020/2021
	Kshs	Kshs
Contracted cleaning services	568,107	472,500
Contracted guards	779,301	611,302
Transaction advisory services	0	6,540,000
General consultancy services	8,286,451	0
Total	9,633,859	8,019,922

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. (a) USE OF GOODS AND SERVICES

	2021/2022	2020/2021
	Kshs	Kshs
Domestic travel & accommodation	4,780,995	1,086,114
Welfare expenses	866,227	1,007,800
Telephone	1,108,613	942,008
Internet connections	694,140	813,600
Courier & postal services	10,020	9,620
Publishing & printing	403,920	289,000
Newspapers and magazines	180,192	189,776
Staff car loan & mortgage fund admin fees	1,416,671	1,292,021
PR & Promotional cost	414,880	610,388
Rental	26,717,154	19,788,666
Hospitality and refreshments	1,618,990	1,084,251
General office supplies	306,463	337,280
Media adverts	829,136	1,294,262
Detergents	96,775	0
Staff uniform	360,928	0
Refined fuels & lubricants	1,374,359	847,752
Audit fees	672,800	765,600
Professional/Club membership	271,060	268,360
Bank service commission and charges	127,180	99,640
Corporate Social Responsibilities	474,185	409,026
Expensed Minor assets	46,550	145,051
Withholding tax	7,150,996	8,254,266
Stakeholder expenses	176,150	1,717,528
Training expenses including capacity building	10,077,067	3,454,284
Supplies & accessories for computer & printers	444,785	345,275
Total	60,620,236	45,051,568

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 (b) Use of goods and services

	2021/2022	2020/2021
	Kshs	Kshs
Domestic travel & accommodation	4,780,995	1,086,114
Welfare expenses	866,227	1,007,800
Telephone	1,108,613	942,008
Internet connections	694,140	813,600
Courier & postal services	10,020	9,620
Publishing & printing	403,920	289,000
Newspapers and magazines	180,192	189,776
Staff car loan & mortgage fund admin fees	1,416,671	1,292,021
PR & Promotional cost	414,880	610,388
Rental	27,169,554	19,788,666
Hospitality and refreshments	1,618,990	1,084,251
General office supplies	306,463	337,280
Media adverts	829,136	1,294,262
Detergents	96,775	0
Staff uniform	360,928	0
Refined fuels & lubricants	1,374,359	847,752
Audit fees	0	765,600
Professional/Club membership	271,060	268,360
Bank service commission and charges	127,180	99,640
Corporate Social Responsibilities	474,185	409,026
Expensed Minor assets	46,550	145,051
Tax arrears paid during the year	29,286,569	3,896,146
Stakeholder expenses	176,150	1,717,528
Training expenses including capacity building	10,077,067	3,454,284
Supplies & accessories for computer & printers	444,785	345,275
Total	82,535,409	40,693,448

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. REPAIRS & MAINTENANCE

	2021/2022	2020/2021
	Kshs	Kshs
Maintenance expenses- Motor vehicles	544,658	355,824
Maintenance expenses- Office equipment	108,265	18,200
Maintenance expenses- furniture & fittings	119,671	98,000
Maintenance expenses- buildings	1,185,619	6,646
Maintenance expenses- IT equip & computers	4,681,539	1,915,710
Total	6,639,752	2,394,380

14. DEPRECIATION AND AMORTIZATION EXPENSES

	2021/2022	2020/2021
	Kshs	Kshs
Property, plant and equipment	19,696,805	17,670,711
Intangible assets - software	9,137,747	6,390,116
	28,834,552	24,060,827

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. CASH AND CASH EQUIVALENTS

Description	2021/2022	2020/2021
	Kshs	Kshs
Current Accounts	447,405,004	538,723,184
Staff mortgage	36,595,912	42,542,578
Staff Gratuity	71,139,371	58,740,407
Petty cash	79,887	130,450
Total	555,220,174	640,136,619

15 (A) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

No.	Financial	Account No	2021/2022	2020/2021
			Kshs	Kshs
A)	Current Account			
	Co-operative Bank	0114118908900	339,389,907	473,253,243
	KCB	1104820730	108,015,097	65,469,941
B)	Staff Car Loan/Mortgage		0	0
	HFC	2299583401-0	36,595,912	42,542,578
C)	Savings Account		0	0
	KCB- KICC	1223199975	71,139,371	58,740,407
D)	Others: Cash-on-hand and in transit	Cashbox	79,887	130,450
	Total		555,220,174	640,136,619

Components of Cash and cash equivalents are not restricted.

16. RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS

	2021/2022	2020/2021
	Kshs	Kshs
Imprests & Advances	607,199	639,941
Debtors	540,400	200,000
Staff Mortgage and car loan	57,587,665	50,229,170
Total	58,735,264	51,069,111

17. INVENTORIES

	2021/2022	2020/2021
	Kshs	Kshs
General stationery	444,622	603,885
Total	444,622	603,885

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. PROPERTY, PLANT AND EQUIPMENT

Cost/Valuation	Motor Vehicles	Furniture and fittings	Equipment	Computers	Totals
As at 1 st July 2020	20,120,000	17,093,000	3,765,460	18,814,890	59,793,350
Additions		76,116,991	117,025	1,700,000	77,934,016
Disposal		(15,000,000)	(8,000)	(2,246,630)	(17,254,630)
As at 30th June 2021	20,120,000	78,209,991	3,874,485	18,268,260	120,472,736
Depreciation and impairment					
As at 1 st July 2020	7,840,000	8,546,500	1,527,679	11,317,057	29,231,236
Charge for the period	5,030,000	9,776,249	484,311	4,957,651	20,248,211
Depreciation on disposal		(7,500,000)	(4,000)	(2,162,836)	(9,666,836)
As at 30th June 2021	12,870,000	10,822,749	2,007,990	14,111,872	39,812,611
NBV as at 30th June 2021	7,250,000	67,387,242	1,866,495	4,156,388	80,660,125
Cost/Valuation					
As at 1 st July 2021	20,120,000	78,209,991	3,874,485	18,268,260	120,472,736
Additions		5,602,536	51,000	4,544,499	10,198,035
As at 30th June 2022	20,120,000	83,812,527	3,925,485	22,812,759	130,670,771
Depreciation and impairment					
As at 1 st July 2021	12,870,000	10,822,749	2,007,990	14,111,872	39,812,611
Charge for the year	3,625,000	10,476,566	490,686	5,104,553	19,696,805
As at 30th June 2022	16,495,000	21,299,315	2,498,676	19,216,425	59,509,416
NBV as at 30th June 2022	3,625,000	62,513,212	1,426,809	3,596,334	71,161,355

There are no restrictions on the assets. Included in the assets disposal figure for the year 2019/2020 is an amount of kshs 1.4M relating to ICT assets that were lost during the financial year 2019/20 the assets were however fully depreciated with a nil Net Book Value

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The organization uses cost model of recording the assets. The book value of the motor vehicles, equipment and computers includes assets that have been fully depreciated amounting to Kshs1.4M. The assets still are useful to the organization.

19. INTANGIBLE ASSETS –SOFTWARE

	2021/2022	2020/2021
COST	Kshs	Kshs
Opening Balance	19,170,348	22,563,982
Additions during the year	9,752,882	6,754,090
Disposal	-	(10,147,724)
Total	28,923,230	19,170,348
AMORTIZATION		
Opening Balance	11,032,199	14,789,807
Charge for the Year	9,137,747	6,390,116
Depreciation on disposal	-	(10,147,724)
Total	20,169,946	11,032,199
NET BOOK VALUE FOR THE PERIOD	8,753,284	8,138,149

Intangible assets relate to Microsoft Navision Integrated Financial Management Information System, Electronic Document Management System and e-board system

20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2021/2022	2020/2021
	Kshs	Kshs
Trade creditors	4,269,058	13,520,428
Other payables	2,669,597	1,780,642
Total	6,938,655	15,301,070

21. CURRENT PROVISIONS

	Staff Gratuity	Other provisions	Total
	Kshs	Kshs	Kshs
Balance at the beginning of	18,800,686	21,158,975	39,959,661
Additional provisions raised	9,200,007	5,005,976	12,205,983
Provisions Utilized	(6,123,606)	(14,128,245)	(20,251,851)
Closing Balance	21,877,087	12,036,706	33,913,793

Provisions relates to Accumulated staff gratuity which is payable on expiry of the contract and Provisions for ongoing/uncompleted contracted services.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. CASH GENERATED FROM OPERATIONS

	2021/2022	2020/2021
	Kshs	Kshs
Surplus for the period before tax	(71,884,907)	15,395,803
Add back depreciation	28,834,552	24,060,827
Adjustments for:		
Changes in working Capital		
Increase in Inventories	159,263	(80,328)
Increase in receivables	(7,666,153)	(26,740,211)
Increase in payables	(14,408,283)	(99,833,645)
Total	(64,965,528)	87,196,955

23. FINANCIAL RISK MANAGEMENT

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

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

i. Credit risk

Privatization Commission has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

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

	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Bank Balances	555,220,174	555,220,174	-	-
Receivables from Exchange Transactions	58,735,264	58,735,264	-	-
Receivables from Non-Exchange Transactions	127,000,000	127,000,000	-	-
At 30 June 2021				
Bank Balances	640,136,619	640,136,619	-	-
Receivables from Exchange Transactions	51,069,111	51,069,111	-	-
Receivables from Non-Exchange Transactions	170,250,000	170,250,000	-	-

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 Commission 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.

ii. Liquidity Risk Management

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

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 2022	691,910	358,090	3,219,059	4,269,059
Trade payables	1,154,409	561,000	10,169,765	11,885,174
Provisions	2,659,776	-	55,500	2,715,276
Payroll deductions	768,889	2,306,666	18,801,533	21,877,088
Employee benefit obligation	5,274,984	3,225,756	32,245,857	40,746,597
As at 30 June 2021				
Trade payables	10,494,142	0	3,026,286	13,520,428
Provisions	15,245,650	999,584	4,913,742	21,158,976
Payroll deductions	1,780,642	0	0	1,780,642
Employee benefit obligation	743,692	2,231,076	15,825,917	18,800,685
	28,264,126	3,230,660	23,765,945	55,260,731

iii. Market risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

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

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

iv. Foreign currency risk

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

v. Interest rate risk

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

Management of interest rate risk

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

vi. Capital Risk Management

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

	2021/2022	2020/2021
	Kshs	Kshs
Revaluation reserve	6,120,615	6,120,615
Retained earnings	647,341,636	719,226,543
Total funds	653,462,251	725,347,158

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

Other related parties include:

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

	2021/2022	2020/2021
	Kshs	Kshs
Transactions with related parties		
Purchase from related parties		
Rent paid to government agencies	26,717,155	19,788,666
Training and conferences paid to government agencies	526,280	1,255,020
Fuel and lubricants	695,209	528,822
PPE materials	148,800	971,800
Internet	694,140	813,600
Telephone expenses	144,415	77,979
Advertising	829,137	1,294,264
Courier services	10,020	9,620
External Audit	672,800	765,600
Local transport	954,215	385,878
	31,392,171	25,891,249

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	2021/2022	2020/2021
	Kshs	Kshs
a) Grants from the Government		
Grants from National Government	170,250,000	197,000,000
Total	170,250,000	197,000,000
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	101,140,833	103,277,912
Total	101,140,833	103,277,912
c) Key management compensation		
Directors' emoluments	2,486,469	3,388,146
Compensation to the CEO	9,436,800	9,056,000
Compensation to key management	38,914,771	60,476,294
Total	50,838,040	72,920,440

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

25. CAPITAL COMMITMENTS

The following Capital commitments are expected to be incurred in the year 2022/23. They had been approved and/or contracted.

	2022/2023	2021/2022
	Kshs	Kshs
Approved and contracted		
Transaction costs	270,427,889	471,000,000
Approved and not contracted	0	
Acquisition of tangible assets	6,000,000	3,000,000
Acquisition of intangible assets	5,000,000	20,000,000
Office partitioning & relocation	0	0
Staff Mortgage and car loan	49,000,000	43,000,000
	323,000,000	537,000,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. DIVIDENDS/SURPLUS REMISSION

The entity did not submit any surplus during the financial year 2021/2022

27. TAXATION

During the year the Commission didn't pay Corporation tax but a provision of 30% has been made on income generated in 2021/22 financial year.

28. EVENTS AFTER THE REPORTING PERIOD

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

29. ULTIMATE AND HOLDING ENTITY

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

30. CURRENCY

The financial statements are presented in Kenya Shillings (Kshs) and rounded off to the nearest whole number

STATEMENT OF ASSETS AND LIABILITIES OF PRIVATIZED ENTITIES

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

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

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

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



Executive Director/CEO

Date 22/09/2022

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APPENDIX II: PROJECTS IMPLEMENTED BY THE PRIVATIZATION COMMISSION

Projects

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

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

APPENDIX III: Status of Projects completion

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

Privatization Commission did not implement any project during the year.

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APPENDIX IV: INTER-ENTITY CONFIRMATION LETTER

Privatization Commission
P o Box 34542-00100
Nairobi

The Privatization Commission wishes to confirm the amounts disbursement to you as at 30th June 2022 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-Ministerial (C)	Total D= A+B+C	Amount Received by Privatization Commission As at 30 th June 2021 (E)	Differences Kshs. F=D-E
Quarter 1	18/8/21	31,750,000	0	0	31,750,000	31,750,000	0
Quarter 2	5/11/21	31,750,000	0	0	31,750,000	31,750,000	0
Quarter 3	14/2/22	31,750,000	0	0	31,750,000	31,750,000	0
Quarter 4	6/5/22	31,750,000	0	0	31,750,000	31,750,000	0
Total		127,000,000				127,000,000	

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

Head of Accounts department Privatization Commission

Name MURGITHA KARUMU sign  Date 22/9/22