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REPORT

OF

THE AUDITOR-GENERAL

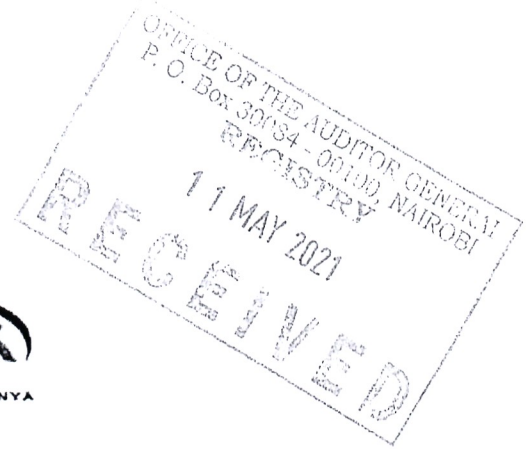
ON

KENYA INVESTMENT AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2020**

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KENYA INVESTMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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

Kenya Investment Authority
Annual Reports and Financial Statements
For the year ended June 30, 2020

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1. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

Kenya Investment Authority (KenInvest) is a statutory body established in 2004 through an Act of Parliament (Investment Promotion Act No. 6 of 2004) and mandated to promote and facilitate both domestic and foreign investments in Kenya. The Authority is domiciled in Kenya and has branches in Eldoret, Kisumu and Mombasa.

The Authority's day to day management is under the following key departments:

- i. Investment Promotion and business development services;
- ii. Investor Services;
- iii. Research, Policy Advocacy and Planning;
- iv. Legal and Corporate Affairs; and
- v. Finance and Administration

(b) Principal Activities

The Authority is responsible for facilitating the implementation of new investment projects, providing after care services for new and existing investments, as well as organizing investment promotion activities both locally and internationally. It is also responsible for advocating for appropriate investment policies.

The Authority's vision is to be "a global leader in investment attraction" and the mission is "to promote and facilitate domestic and foreign investment in Kenya by advocating for a conducive investment climate, providing accurate information and offering quality services for a prosperous Nation."

The Authority's strategic focus is on the following:

- Contribution to realization of Kenya's development targets such as faster and sustained economic growth, increased employment, wealth creation and poverty alleviation by strengthening attraction and retention of investments in priority sectors;
- Enhancement of competitiveness and investment environment in Kenya;
- Strategic partnership and collaboration with Ministries, Departments and Agencies (MDAs); County governments, Institutional partners, Private sector and donor agencies to enhance growth of private investments; and
- Institutional capacity and capability strengthening.

(c) Key Management

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

- Board of Directors;
- Managing Director; and
- Senior Management.

KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Dr. Moses Ikiara, MBS
2.	General Manager, Investment Promotion and Business Development Services	Mr. Pius Rotich
3.	General Manager, Research, Policy Advocacy & Planning	Mr. Robert Bwire
4.	General Manager, Finance and Administration	Ms. Donna Atieno
5.	General Manager, Legal and Corporate Affairs	Ms. Olivia Rachier
6.	General Manager, Investor Services	Mr. Guracha Adi
7.	Manager, Procurement	Mr. Hosea Kipkemboi
8.	Manager, Internal Audit	Mr. Joseph Onyango
9.	Manager, Investor Services (One Stop Centre)	Mr. Rogers Amisi
10.	Manager, Investor Services (Project Analysis)	Mr. Walter Macharia
11.	Manager, Human Resource and Administration	Ms. Stella Naikara
12.	Manager, Policy Advocacy	Ms. Roslyn Ng'eno
13.	Manager, Business Development Services	Ms. Susan Njoba
14.	Manager, Eldoret Regional Office	Mr. Robert Matarei
15.	Manager, Kisumu Regional Office	Mr. Laban Mburu
16.	Senior Officer, Investor Services (Aftercare), Mombasa Regional Office	Mr. Anthony Nabwana

(e) Fiduciary Oversight Arrangements

The Authority has put in place key fiduciary oversight arrangements covering:

- Board Committees i.e. Strategy, Investment Promotion, Facilitation and Innovation Committee; Audit & Governance Committee; Finance, Human Resources & Administration Committee and Strategy & Investment Committee;
- Internal Audit; and
- Transparency and Accountability Governance Structures.

(f) Authority Headquarters

UAP Old Mutual Tower, 15th Floor,
 Upper Hill Road,
 P. O. Box 55704 – 00200,
 Nairobi, Kenya.

KEY AUTHORITY INFORMATION AND MANAGEMENT (Continued)

(g) Authority Regional Offices

Regional Office, Kisumu
Jubilee House, 1st Floor, Angawa Avenue
P. O. Box 1458-40100 Kisumu
E-mail: ksm@invest.go.ke

Regional Office, Mombasa
Mombasa Trade Centre
6th Floor, South Tower
P. O. Box 80279- 80100 Mombasa
E-mail: msa@invest.go.ke

Regional Office, Eldoret
National Bank Building
2nd Floor, Oloo Street
P. O. Box 4638- 30100 Eldoret
E-mail: eld@invest.go.ke

(h) Authority Contacts

Telephone: (254) 730 104 200/201
E-mail: info@invest.go.ke
Website: www.invest.go.ke

(i) Authority Bankers

Co-operative Bank of Kenya,
Parliament Road Branch,
P. O. Box 5772 - 00200,
Nairobi, Kenya.




(j) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya




(k) 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

DIRECTOR	DIRECTOR PROFILE
<p>1. Hon. Dennis Waweru Non-Executive Chairman</p>  <ul style="list-style-type: none"> • MBA (Strategic Management) • Bachelors of Commerce (Accounting Option) 	<p>Date of Birth: 30th June, 1970</p> <p>May 2019 to date - Chairman - Kenya Investment Authority Board</p> <p>Member of Committee - Finance, Trade, Planning and Tourism, National Assembly</p> <p>Member of Committee - Budget and Appropriation-The National Assembly</p> <p>2000 to Date - Director and Partner at Faida Investment Bank Limited.</p> <p>Serves as Vice Chair/ Board member, Kenya Association of Investment Banks & Stock Brokers (KASIB)</p>
<p>2. Ms. Sanda Ojiambo Private Sector Board Member</p>  <ul style="list-style-type: none"> • M.A. Public Policy and Development Economics • B.A. Economics and International Development. 	<p>Date of Birth: 15th September, 1972</p> <p>Policy Analyst and Economist by training.</p> <p>Currently works as Head of Corporate Responsibility at Safaricom.</p> <p>Has 17 years' experience in policy analysis, economic development and business sustainability in the NGO, UN and Corporate sectors.</p>
<p>3. Mr. Peter Njoka Private Sector Board Member</p>  <ul style="list-style-type: none"> • Bachelor of Science (Hons.) • Private Equity Training Courses 	<p>Date of Birth: 16th June, 1970</p> <p>Currently a Partner at Rhone Partners LLP, Kenya.</p> <p>Private Equity specialist with over 20 years' private equity and corporate finance experience in East Africa.</p> <p>He is a Board Member of several companies including Brookside Africa Ltd, Deacons East Africa PLC, Kenya Clay Products Ltd and Tim sales Holdings</p> <p>Chairman: Finance, Human Resource and Administration Committee</p>




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DIRECTOR	DIRECTOR PROFILE
<p>4. Ms. Theresa Jepkemei Chepkwony Private Sector Board Member</p>  <ul style="list-style-type: none"> • Master's in Business Administration (Executive) • Bachelor of Education (Arts) 	<p>Date of Birth: 18th May, 1966</p> <p>2014 – 2017 - Advisor to the County Government of Nandi on Political Affairs. Jun 2013 – Aug 2013 - Lead Consultant in the development of Nandi County Integrated Development Plan (CIDP 2013 – 2017). 2007 – 2012 - Vice Chairperson Nandi North secondary schools' heads association. 2006 – 2009- Trustee, Water Services Trust Fund Ministry of Water and Irrigation, Nairobi.</p> <p>Chairperson: Audit and Governance Committee</p>
<p>5. Ms. Judith Wanjiku Kibaki, MBS, EBS, CBS Private Sector Board Member</p>  <ul style="list-style-type: none"> • B.Sc (Economics) 	<p>Date of Birth: 11th June, 1962</p> <p>Jan 1998 to date - Marketing Consultant – Alpha Dimensions 2003 to 2011- Vice Chair, Street Families Rehabilitation Trust Fund 2012 to 2015 – Board Member, Brand Kenya Board 2006 to 2012 - Board Member, Export Promotion Council April 1994 to Nov 1997 – Manager, Research Division – MCL Saatchi & Saatchi</p> <p>Chairperson: Strategy and Investment Promotion, Facilitation and Innovation Committee</p>
<p>6. Mr. Peter Mutuku Mathuki Private Sector Board Member</p>  <ul style="list-style-type: none"> • Ph.D. finalist in Strategic Alliances focusing on Regional University of Nairobi • Master of Business Administration • Bachelor of Commerce 	<p>Date of Birth: 20th February, 1969</p> <p>2018 to date: CEO, East African Business Council, Arusha, Tanzania Feb 2018 to Sept. 2018: Goodwill Ambassador, East African Business Council 2012 to 2017: MP East African Legislative Assembly Member, Arusha, Tanzania 2011 to 2012: European Union Project on Social, Dialogue- Labour Institutions in Africa, Asmara, Eritrea.</p>




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DIRECTOR	DIRECTOR PROFILE
<p>7. Ms. Susan Nkatha Kairama Private Sector Board Member</p>  <ul style="list-style-type: none"> • MBA (Strategic Management) • Bachelor of Commerce 	<p>Date of Birth: 24th August, 1965</p> <p>2011 to date: Executive Director, Shadenet Conference and Resort Centre.</p> <p>2016 to 2017: Board Member, Agriculture and Food Authority (AFA).</p> <p>2015 to 2017: Chairperson, Board of Directors Meru County Microfinance Corporation.</p> <p>2011 to 2014: Board Member, Kenya Industrial Estate (KIE).</p> <p>2000 to 2005: Project Manager, Oiko Credit East Africa.</p>
<p>8. Principal Secretary, Ministry of Industry, Trade & Enterprise Development (Alternate Member - Mr. Stephen Odua)</p> 	<p>Date of Birth: 26th December, 1967</p> <p>2018 to date: Director, Business Environment and Private Sector Support</p> <p>2015 to 2018: Ag. Director, Business Environment and Private Sector Support</p> <p>2009 to 2015: Assistant Director of Industries, Public Sector – Industrial Development</p> <p>2005 to 2009: Chief Industrial Development Officer, Public Sector – Industrial Development</p>
<p>9. Principal Secretary, Ministry of Devolution & Planning (Alternate Member - Mr. Dominic Yegon Kiplangat)</p>  <ul style="list-style-type: none"> • Master of Arts Degree (Economics Policy Management) • Bachelor of Science Degree (Agricultural Economics) 	<p>Date of Birth: 15 February 1985</p> <p>2015 to date: Economist in the Ministry of Devolution and Planning (State Department for Devolution)</p> <p>2010 to 2013: Extensive training and experience in Economic Development, Policy Formulation and Analysis and Strategic Planning, National Development and Vision 2030.</p>



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DIRECTOR	DIRECTOR PROFILE
<p>10. Principal Secretary, Ministry of Devolution and Planning (Alternate Member- Mr. Peterson Njenga)</p>  <ul style="list-style-type: none"> • Master of Arts (Economics) • B.A (Economics) 	<p>Date of Birth: 21st August, 1982</p> <p>2018 to date: Ag. Principal Economist in the Ministry of Devolution and Planning (State Department for Planning)</p> <p>2008 to 2018: Economist/Stastician, Tracking Vision 2030 flagship projects</p>
<p>11. Principal Secretary, National Treasury (Alternate Member - Mr. Wanyambura Mwambia)</p>  <ul style="list-style-type: none"> • Master of Arts (Development Economics) 	<p>Date of Birth: 10th January, 1956</p> <p>2010 to date: Deputy Director Economic Affairs National Treasury</p>
<p>12. Principal Secretary, Office of the President (Alternate Member- Mr. William K. Mahinda)</p>  <ul style="list-style-type: none"> • Master of Arts (Economics) • B.A (Economics) 	<p>Date of Birth: 22nd May 1960</p> <p>2005 to date – Secretary/ Policy Cabinet office. Director Commission of Higher Education, KIPPRA, KenInvest, LAPPSET</p> <p>2001-2005 – Provincial Coordinator – NACC</p> <p>1997 – 2001 Provincial Plan Office.</p>




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DIRECTOR	DIRECTOR PROFILE
<p>13. Principal Secretary, Ministry of Lands and Physical Planning (Alternate Member- Mr. Augustine Masinde, EBS, MBS)</p>  <ul style="list-style-type: none"> • Master of Arts (Urban and Regional Planning) • Corporate Member of both the Kenya Institute of Planners and Architectural Association of Kenya (Town Planners Chapter) • Member of the International Society for City and Regional Planners (ISOCARP) • Registered Physical Planner 	<p>Date of Birth - 1962</p> <p>Chief Government Adviser on Physical Planning</p> <p>Chairman of the Physical Planners Registration Board</p> <p>National Director of Physical Planning</p>
<p>14. Principal Secretary, Ministry of Agriculture (Alternate Member - Mr. Samuel Gicheru)</p>  <ul style="list-style-type: none"> • Masters in Economics 	<p>Date of Birth: 26th January 1970</p> <p>Currently works at the Ministry of Agriculture</p>
<p>15. Mr. Henry Obino – Ag. Chief Executive, Export Processing Zones Authority (EPZA)</p>  <ul style="list-style-type: none"> • MBA (Strategic Management) • B.A (Government and Kiswahili) 	<p>Date of Birth: 29th March, 1964</p> <p>2020 – Ag. Chief Executive Officer, EPZA</p> <p>2019 to Date: Secretary of Administration, Ministry of Industrialization</p> <p>2015 to Date: Director of Administration</p> <p>2012 to 2015: Senior Deputy Secretary, Ministry of East African Community</p> <p>2002 to 2012: Senior District Commissioner,</p>

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DIRECTOR	DIRECTOR PROFILE
<p>16. Dr. Wilfred Nyakwanya Marube - Chief Executive Officer, Kenya Export Promotion and Branding Agency</p>  <ul style="list-style-type: none"> • PhD (Communications Studies) • Master of Arts (Linguistics) • B. Ed (English and Literature) • Executive Diploma- Marketing Diploma- Public Relations Management 	<p>Date of Birth – 10th February, 1974 2020 June to date - Chief Executive Officer, Kenya Export Promotion and Branding Agency</p> <p>2013 to 2020 - Head of Public Relations and Communications, Office of the Auditor-General 2007 to 2013 - City Council of Nairobi, Chief Public Relations Officer 1997-2007- Teachers Service Commission</p> <p>July 2020 to date- Board Member, Global Alliance for Public Relations and Communication Management 2019 to date - President Public Relations Society of Kenya 2017-2019, Vice President, Public Relations Society of Kenya</p>
<p>17. Dr. Moses Ikiara, MBS – Managing Director, Kenya Investment Authority</p>  <ul style="list-style-type: none"> • PhD (Environmental and Natural Resource Economics) • Master of Arts (Economics) • B. Sc (Agriculture) 	<p>Date of Birth – 3rd September, 1965 2013 to date - Managing Director, KenInvest 2006 to 2012 - Executive Director, (KIPPRA) 2005 to 2006 - Ag. Executive Director, KIPPRA 2003 to 2005 - Senior Analyst & Programme Coordinator, KIPPRA 2000 to 2003 - Policy Analyst, KIPPRA 1998 to 2000 – School of Environmental Studies, Moi University.</p> <p>Secretary to the Board.</p>

3. MANAGEMENT TEAM

<p>1. Dr. Moses Ikiara, MBS</p>  <ul style="list-style-type: none"> • PhD (Environmental and Natural Resource Economics) • Master of Arts (Economics) • Bachelor of Science (Agriculture) 	<p>Managing Director</p>
<p>2. Mr. Guracha Adi</p>  <ul style="list-style-type: none"> • Master of Business Administration (International Business Management) • Bachelor of Arts (Business Studies and Mathematics) 	<p>General Manager, Investor Services</p>
<p>3. Mr. Pius Rotich</p>  <ul style="list-style-type: none"> • Master of Business Administration (International Marketing) • Bachelor of Education • Marketing Society of Kenya (MSK) member 	<p>General Manager-Investment Promotion and Business Development Services.</p>

<p>4. Mr. Robert Bwire</p>  <ul style="list-style-type: none"> • Master of Industrial Relations and Personnel Management • Bachelor of Commerce (Accounting) • Member of Institute of Economic Affairs • Diploma in PC Programming 	<p>General Manager- Research, Policy Advocacy and Planning</p>
<p>5. Ms. Donna Atieno</p>  <ul style="list-style-type: none"> • Master of Business Administration (Finance) • Certified Public Accountant of Kenya • Bachelor of Business Management (Accounting) • Institute of Certified Public Accountants of Kenya (ICPAK) Member No. 7332 	<p>General Manager, Finance and Administration.</p>
<p>6. Ms. Olivia Rachier</p>  <ul style="list-style-type: none"> • Master of Law (International Business) • Bachelor of Law • Dip. Law (KSL) • Institute of Certified Public Secretaries (ICPSK) Member No. 2273 	<p>General Manager, Legal and Corporate Affairs</p>

4. CHAIRMAN'S STATEMENT

On behalf of the KenInvest Board of Directors, I am pleased to present to you KenInvest's Annual Report for the Financial Year 2019-2020.

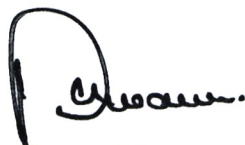
KenInvest continues to pursue its strategic objectives as spelt out in the Strategic Plan 2018-2022. I note with appreciation that despite significant challenges, the Authority managed to attract new investment project proposals worth KShs. 156.93 billion. It is worth noting that the country has made great strides in continuously reviewing the investment environment and has gone up 5 places to position 56 in World Bank Ease of Doing Business 2020. In the Global Competitiveness Index Ranking by World Economic Forum, Kenya was ranked 95 globally. These are just but a sample of many achievements that qualify Kenya as the investment destination of choice.

The COVID-19 pandemic has necessitated the use of multiple communication and collaboration tools to ensure continued investor facilitation and Support. Our Case and Inquiry Management System (CMS) has enabled Investors reach out to us online and be facilitated. available online. Moreover, the Authority participated in various high-profile events including the Russia – Africa Summit and the Tokyo International Conference on African Development VII (TICAD VII).

During the review period, the One Stop Centre (OSC) implemented a Case Management System to improve investment facilitation and the Kenya Investment Policy and County Investment Handbook were launched on 6th November, 2019. The policy and handbook will have a long-term effect of streamlining investment operations in a devolved system of government with the ultimate aim of positioning the country as a premier investment destination.

Under my leadership, the Board will continue addressing organisational needs that require intervention to make the Authority more competitive and an enviable place to work in. I also appreciate support provided by our partners.

My message to fellow Board members and KenInvest staff is to remain committed to the execution of our mandate of promoting and facilitating investments in Kenya, in order to propel this country to new heights of socio-economic development as per the Kenya Vision 2030 and the targets set out in the Big Four' Economic Transformation Agenda.



Mr. Dennis Waweru
CHAIRMAN
BOARD OF DIRECTORS

5. REPORT OF MANAGING DIRECTOR

The overarching vision of the Kenya Investment Authority Strategic Plan 2018- 2022 is to make Kenya a global leader in investment attraction. The Plan mainly borrows from Kenya's blue print, Vision 2030; that aspires to realize economic transformation and a newly industrializing upper middle-income country by 2030, as well as the BIG 4 Agenda.

Generally, the operational performance of KenInvest has been affected by COVID-19 pandemic especially our aftercare services. This is due to movement restrictions and containment measures put in place in the last quarter of the FY. However, in the same period KenInvest as a member of Business COVID-19 Response team under our Parent Ministry made submissions to the economic stimulus as part of COVID-19 response by Government and how to address challenges faced by our investors during this time. Some of the areas of achievement include:

Investment Generation

In FY 2019/20, the Authority registered 163 projects worth KSh 156.93 billion in terms of both new investment and re-investment. The new investments had an employment potential of 12,692. In the previous FY 2018/19, the Authority registered 247 projects worth KShs 59.65 billion in terms of both new investment and re-investment. The new investments had an employment potential 8,616.

Investment Promotion

As part of continued effort to encourage more investors to choose Kenya, the Authority organised and/or participated in Investment promotion forums and missions to present opportunities to investors. Key among them included: International Textile Machineries Exhibition (ITME)-Africa in Ethiopia; UK- Africa Investment Summit in UK; Kenya – Norway Business Forum; Multi sector Business Delegation from State of Illinois; 2nd Japan-Kenya Business Dialogue; Canadian High Commission Business Forum; The Kenya Swiss Business Forum; Kenya-Belgium Business Forum; Russia–Africa Summit in Russia; 2nd Kenya – Poland Health Summit 2019; The African Caribbean Pacific Business Forum, Nairobi; China-Kenya Industrial Cooperation Matchmaking Conference; The 3rd China- Africa (Kenya) industrial capacity cooperation exposition; India - Kenya Business Forum; First Japan Kenya Business Dialogue; and The Tokyo International Conference on African Development VII (TICAD VII).

One Stop Centre (OSC)

KenInvest commenced implementation of a case management system, a project implemented with the support of the Irish Government with technical support from the International Development Ireland (IDI). The case management system shall be used to streamline and automate the management and operation of the One Stop Center (OSC).

Enhancing Regional Integration

The Authority was involved in key regional integration activities in COMESA and EAC that support the growth of trade and investment. KenInvest received funding from COMESA through the National

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Treasury amounting to KShs 20 million to support activities and programmes that contribute to deepening of trade and investment in the region.

Investor Facilitation

The Authority also provided after care services to 163 projects and issued 34 Investment Certificates compared to 166 projects and 33 Investment Certificates in the 2018/19 Financial Year. The major policy and/or administrative issues raised were escalated to the relevant Ministries, Departments and Agencies (MDAs) for resolution. Investor sentiment about business facilitation continued to improve.

Investment Facilitation Project for Kenya (e-Regulations)

The e-Regulations project has increased transparency in accessing data and information on procedures and regulations required to invest in Kenya. The portal's popularity has risen steadily with 229,211 users 307,949, sessions and 664,001 Page views in the financial year ending June 2020 making it the most visited portal in Africa among countries who have implemented the UNCTAD e-Regulations system and, arguably, the most important resource on regulations for investors, foreign or national, interested in setting up or expanding their operations in Kenya. During the financial year 2019/2020, the e-Regulations team documented, reviewed and updated 36 procedures in Construction sector, Business registration and county permits (Mombasa, Kisumu and Nairobi) making the portal to have a total of over 250 procedures.

E-Investment Opportunities Platform (e-Opportunities)

The portal currently has a total of 353 projects uploaded covering the Big 4 Agenda and Enabler sectors. Out of these 330 projects are still active and available for investors while 23 projects have been archived since they had reached financial close and are at implementation stage. The portal received 3542 users, 1943 sessions and 6686 daily page views. During the financial year 2019/2020, a total of 406 enquiries had been made through the portal. Out of this, enquiries on National projects were 250; while County projects were 138 and Private projects were 18. It was noted that majority of the enquiries were from the Energy sector 77; real estate 61; water and sanitation 60; and agriculture 69 and others 139.

Global Competitiveness Index Survey

KenInvest in conjunction with the National Productivity and Competitiveness Centre (NPCC) and the University of Nairobi Institute of Development Studies (IDS), finalized the exercise on 31st March, 2019 with 100 surveys. A factsheet for the exercise was also updated. Due to budgetary constraints, sensitization workshops were held in Nairobi and Mombasa only. In the latest report, Kenya was ranked position 95 globally behind African peers Mauritius (52), South Africa (60), Morocco (75), Tunisia (87), Botswana (91), and Algeria (89). The pillars in which Kenya performed best included business dynamism in which the country ranked 51st globally, Institutions (68), Market size (72) while Financial systems and Innovation capacity was at 78.

Financial Performance

In the period under review, the Authority received total revenue of KSh 263.27 million compared to KShs 212.37 million in the previous financial year. This increase is mainly attributed to increased

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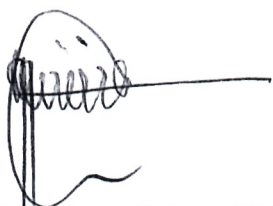
funding from GoK from KShs 195.32 million in 2018/2019 FY to KSh 253.2 million in 2019/20 FY. The total expenses grew from 251.20 million to KShs 263.23 million as KenInvest was able to meet all of its expenses. This resulted in surplus of 40,283 compared to KShs 38.8 million deficit reported in the previous financial year.

Challenges

Some of the obstacles that stood in the way of better performance for the Authority, and which continue to pose challenges in the new financial year include:

- i. COVID-19 pandemic has necessitated restructuring of KenInvest operations with a larger focus on online activities;
- ii. HR challenges such as inadequate staff establishment, lack of training and capacity building opportunities due to low funding. These challenges are being resolved through resource mobilization, efforts to improve work environment, seeking training support from our partners;
- iii. Inadequate clout which hampers effective facilitation of investors. This remains a key focus in our Strategic Plan and the Kenya Investment Policy;
- iv. Large information and data gap including challenges in capturing and processing the information and absence of a knowledge management system. This is being addressed through MoUs with sector regulators and other agencies with the data; and
- v. Inadequate marketing efforts of investment opportunities due to their insufficient packaging, and inadequate budgetary resources. KenInvest has proposed establishment of an investment fund for this purpose and continues to seek more funds from GoK and is identifying revenue generating activities.

We look forward to continued support by our cherished Partners and stakeholders as we implement our mandate of attracting and facilitating investments in Kenya.



Dr. Moses Ikiara, PhD, MBS
MANAGING DIRECTOR

6. REVIEW OF KENYA INVESTMENT AUTHORITY’S PERFORMANCE FOR FY 2019/2020

The strategic area of focus for KenInvest’s Strategic Plan for the period 2018-2022, is to increase new high impact investments as espoused in the Big Four Agenda and the Vision 2030. Growing the level of private investment, that is foreign direct investment (FDI) and domestic direct investment (DDI), to at least 20% of GDP by 2022 will be KenInvest’s key focus area. Increased FDI and DDI, especially of high quality or impact, will maximize employment opportunities, foreign exchange earnings, technology transfer and lessening of the debt burden for Kenya.

KenInvest will also focus on advocating for full and speedy implementation of the Kenya Investment Policy (KIP) and operationalization of the proposed National Investment Council (NIC) to give her more impetus in promoting and facilitating new investments in the county; as well as play a more direct role in influencing investment policy space. Continued partnership and collaboration with stakeholders shall be sustained in order to ensure harmony in the conduct of our activities. Other focus areas will be continued advocating for further investment climate improvement, institutional strengthening and capacity development for long term sustainability of KenInvest.

The plan has 6 strategic pillars:

- ✓ Pillar 1: Investment Generation
- ✓ Pillar 2: MSMEs Support
- ✓ Pillar 3: Improved Investment Climate
- ✓ Pillar 4: Partnership and Collaboration
- ✓ Pillar 5: Investment Information and data
- ✓ Pillar 6: Institutional Strengthening and Capacity Building

KenInvest develops its annual work plans and performance contract based on the above 6 pillars. Assessment of the Board’s performance against its annual work plan is done on an annual basis. KenInvest achieved its performance targets set for the FY 2019/2020 period for its 6 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Investment Generation	Attract and facilitate private investment of Kshs 1.1 Trillion and create 150,000 jobs	Value of investment proposals attracted (in KShs. Billions)	Investment projects proposals attracted and registered worth 100 billion	Projects worth Kshs.156.937 billion facilitated during the FY.
		No. of Projects	Facilitate and provide aftercare services to 180 projects	163 investors facilitated during the FY.
		No. of employment opportunities created	Create employment opportunity for 10,000 Kenyans	Employment opportunities created for 12,692 Kenyans

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Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 2: MSMEs Support	Contribute to building Kenya's future Multinational Corporations through MSMEs support.	MSME Market linkages and integration into value chains MSME sector promotion	Develop MSME database Profile MSME focussed investment opportunities under the Big 4 Agenda	A database of 150 SMEs was developed and is updated regularly. Out of the 14 investment opportunities, 6 were MSME focused.
Pillar 3: Improved Investment Climate	Enhance Investment Environment to be the Top 40 Country in Ease of Doing Business Globally	Improve Kenya's competitiveness	Advocate for and participate in the adoption and implementation of the Kenya Investment Policy (KIP) Generate Policy briefs and memoranda based on aftercare.	Participated in GCI surveys as well as Ease of Doing Business reform meetings. KIP adopted and approved in April 2019 and launched in November, 2019. 4 Policy briefs generated.
Pillar 4: Partnership and Collaboration	Provide leadership in the co-ordination and provision of investment information and data;	Improve data capture, management, analysis and dissemination Leverage on ICT systems to promote and facilitate investments.	Forge partnerships with MDAs that capture sectoral investment data for sharing purposes Update and Publish E-Regulations Procedures and E-Opportunities Promote and integrate e-regulations with county portals	MoUs with various stakeholders such as KNBS and CBK are in place. 36 procedures published and updated. Further, two counties, Mombasa and Kisumu profiled for county procedures.
Pillar 5: Investment Information and data	Enhance Partnership and Collaboration with Stakeholders to Increase Growth of Private Investments	Seamless collaborative work with county governments Enhance linkages with MDAs to improve investment facilitation	Partner with local & International partners & institutions in capacity building programmes on investment matters	PIGA and ITC supported KenInvest in Training and Capacity building. The support received was in form of laptops, zoom pro account and modems to enable KenInvest Officers work from home.
Pillar 6: Institutional Strengthening and Capacity Building	Develop and strengthen institutional capacity and capability for long-term sustainability.	Enhance employee capacity, motivation and competence Improve staff welfare and work environment	Improve staff welfare, expand staff establishment Implement youth empowerment programmes	The Authority operates using the approved HR instruments to ensure policy is observed and adhered to. 46 youth recruited under the attachment program.

7. CORPORATE GOVERNANCE STATEMENT

Introduction

KenInvest has adopted high standards and applies strict standards of conduct, based on the best corporate practices and the Mwongozo code. As part of this commitment, the Board adheres to good corporate governance by embracing the following principles:

- i. To observe high standard of ethical and moral behaviour;
- ii. To act in the best interests of the organization;
- iii. To remunerate and promote fairly and responsibly;
- iv. To recognize the legitimate interests of all stakeholders; and
- v. To ensure that the organization acts as a good corporate citizen.

In general, Board members act in the best interest of the organization and uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of the organization over other interests. They act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency.

In line with Section 13 of the Leadership and Integrity Act No. 19 of 2012 of the Laws of Kenya, the Board of Directors respect the values, principles and the requirements of the Constitution including:

- i. The national values provided for under Article 10 of the Constitution;
- ii. The rights and fundamental freedoms provided for under Chapter IV of the Constitution;
- iii. The responsibilities of leadership provided for under Article 73 of the Constitution;
- iv. The principles governing the conduct of State officers provided for under Article 75 of the Constitution;
- v. The educational, ethical and moral requirements in accordance with Article 99 (1) (b) and 193 (1) (b) of the Constitution; and
- vi. The values and principles of Public Service provided for under Article 232 of the Constitution.

The Board of Directors

The members of the Board of Directors are published in this report. The Investment Promotion Act, 2004 Section 16 (i) gives the Board of Directors the overall responsibility over the Authority with the Chairman being a Presidential appointee for a period of three years. Other members are drawn from the private sector, representatives of the Government in their various capacities and the Managing Director who is the Secretary to the Board. The current status of the KenInvest Board is 16 members.

Appointment and Removal of Directors

In accordance with the Board Charter the relevant appointing authority shall select and appoint Board members. Every appointment shall be by name and by notice in the Kenya Gazette and shall cease if the Board member:

- i. Serves the appointing authority with a written notice of resignation; or

- ii. Is absent, without the permission of the respective Cabinet Secretary, from three consecutive meetings; or
- iii. Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or
- iv. Is incapacitated by prolonged physical or mental illness from performing his or her duties as a member of the Board; or
- v. Conducts himself/herself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.

Role of Board Committees

In its governance, the Board established three Committees as per section 4(1) of the third Schedule of the Act. These Committees are described below:

- i. *Strategy, Investment Promotion, Facilitation and Innovation Committee* - This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the overall mandate to ensure that all investment issues and the core function of KenInvest are maintained at all times. This includes investment promotion, investment facilitation, after-care services, Policy Advocacy and Management of Information Technology to enhance investor access to services provided by the Authority.

The Committee's important task is to ensure the relevance of the strategic plan, performance contract and work plan.

- ii. *Finance, Human Resource & Administration Committee* - This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the overall mandate to ensure that the budget is justified and adhered to, and that all expenditures are accounted for. It also has the mandate to ensure that all quarterly reports are presented in a timely fashion to the Board prior to the same being submitted to the Parent Ministry. All financial policies are discussed in this Committee.

This Committee is also tasked with ensuring that KenInvest maintains and attracts high calibre of human resources. The Committee handles recruitment, maintenance of the organization's practices, attitudes, and staff motivation.

- iii. *Audit & Governance Committee* - This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the responsibility of assisting the Board of Directors perform its oversight role in Integrity of quarterly, half-yearly and year-end financial statements including reviewing the accounting policies and practices adopted in the preparation of financial information; Effectiveness of the internal control environment; and Compliance with applicable laws, regulations, accounting & auditing standards, good corporate governance principles and other ethical issues.

Board Meetings

The Board is required to meet at least four times in every financial year to discuss the overall performance of KenInvest. Not more than four months should elapse between one meeting and the

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next meeting. All full board meetings are convened by the Secretary to the Board upon instructions from the Chairman (or as per approved work plan) or upon the requisition of at least five members of the Board. All decisions are passed by a majority of present members voting with the Chairman having the decisive vote in the event of a tie.

During the Financial year ended 30 June 2020, the Board held four (4) scheduled meetings. Individual attendance at these meetings is set out in the table below. Additional two (2) special meetings were held on specific issues. The attendance by Members is as below:

NO.	NAME OF DIRECTOR	53 rd Board of Directors meeting held on Wednesday 31 st July, 2019	54 th Board of Directors meeting held on Tuesday 30 th October, 2019	27 th Special Board of Directors meeting held on Wednesday, 13 th November, 2019	55 th Board of Directors meeting held on Thursday, 27 th February 2020	56 th Board of Directors meeting held on 30 th April 2020	28 th Special Board of Directors meeting held on Wednesday, 17 th June, 2020	Total No. of meetings attended
1.	Hon. Dennis Waweru	✓	✓	✓	✓	✓	✓	6/6
2.	William K. Mahinda	✓	✓	-	✓	-	-	3/6
3.	Samuel K. Gicheru	✓	-	-	-	-	✓	2/6
4.	Augustine K. Masinde	✓	-	-	-	-	✓	2/6
5.	Wanyambura Mwambia	-	-	-	-	-	-	0/6
6.	Peter Njoka	-	✓	✓	✓	✓	✓	5/6
7.	Peter Biwott	✓	✓	✓	✓	✓	-	5/6
8.	Christine Mwaka	-	-	-	-	-	✓	1/6
9.	Sanda Ojiambo	-	✓	-	-	-	-	1/6
10.	George Makateto	-	-	✓	-	-	-	1/6
11.	Yegon Kiplangat	-	-	-	-	✓	✓	2/6
12.	Benjamin Chesang	✓	✓	-	✓	✓	-	4/6
13.	Godfrey Putunoi	✓	✓	-	-	-	-	2/6
14.	Theresa Chepkwony	✓	✓	✓	✓	✓	✓	6/6
15.	Stephen Odua	-	✓	-	✓	✓	✓	4/6
16.	Judy Kibaki	✓	✓	-	✓	-	-	3/6
17.	Hon. Peter Mathuki	✓	✓	-	-	✓	✓	4/6
18.	Ms. Susan Kairima	-	-	-	-	✓	✓	2/6

Board Charter

The Board is committed to a high level of integrity and ethical standards in the Authority's operations. Accordingly, the Board adopted a Board Charter that defines the Board's roles and responsibilities as well as functions and structures in a way that supports the members in carrying out their strategic oversight function. The Charter is in accordance with Mwongozo, Code of Governance for State Corporations ("the Code"), and is complementary to the requirements regarding the Board and the Board members contained in applicable Kenya laws and regulations.

Board of Directors Performance

The Authority is committed to carrying out periodic Board performance evaluations. The process includes an undertaking to liaise with the State Corporations Advisory Board (SCAC) to conduct an annual performance evaluation exercise of the Chairperson, Directors and the Managing Director.

Conflict of Interest

A conflict of interest register is maintained and is a permanent agenda item during board meetings.

Induction and training

In accordance with the Board Charter, new Board members will be provided with an effective induction programme to familiarize them with their responsibilities as Directors, General Principles of Corporate Governance and Board Practices. The induction programme also provides the Board member with an orientation of the Authority's operations. The Board will further ensure that a competence needs assessments is carried out periodically and an annual development plan is prepared to address identified gaps. In this regard, Board members will be provided with access to, or notice of, continuing development programs that are designed to keep members abreast of the latest developments in sector best practice, corporate governance and critical issues relating to the operation of public sectors boards.

Succession planning

Moving forward, it is intended that the Board succession plan is staggered for continuity purposes. The Board's plan shall seek to:

- i. Consider the skills, backgrounds, knowledge and experience, and gender diversity necessary to allow it to meet the Authority's objectives;
- ii. Assess the skills, backgrounds, knowledge, experience and diversity currently represented; and
- iii. Identify any inadequate representation of the above attributes and recommend a skill necessary to ensure a candidate is selected appropriately.

Board Remuneration

Board members are remunerated for their services in accordance with the prevailing relevant legislative provisions and/or guidance from the relevant authority. This includes Honoraria of KShs 80,000 for the Chairman and KShs 20,000 per member as sitting allowance for attendance of Board meetings.

8. MANAGEMENT DISCUSSION AND ANALYSIS

i. Authority's Key Projects Implemented or Ongoing

a. One Stop Centre (OSC)

KenInvest continued implementing the OSC. During FY 2016/2017, KenInvest identified UAP Old Mutual Tower as the preferred venue for the establishment of the One Stop Centre after the lease at the Tourism Fund Building was cancelled by the landlord. As at the end of June, 2018 partitioning works for the new offices were ongoing. Officers from the following institutions had been nominated to the OSC and training had commenced: KRA, NEMA, NSSF, NHIF, EPZA, Business Registration Services, Kenya Power, Department of Immigration and Nairobi County Government.

b. Regional Integration Implementation Programme (RIIP)

KenInvest is among MDAs benefitting from the COMESA adjustment facility that supports member states to implement regional programmes with developmental impact, enhancing growth of trade and investment. The overall objective of the RIIP in accordance with Article 10 of the COMESA Adjustment Facility Protocol is to assist eligible Member States implement prioritized programmes that contribute to regional integration. These include the requisite policy reforms to improve the efficiency of the domestic market and competitiveness, capacity building in skills development, effective participation in regional integration negotiations and institutional strengthening.

ii. Material Arrears in Statutory and Other Financial Obligations

The Kenya Investment Authority (sponsor) of the Kenya Investment Authority Pension Scheme has an outstanding pension remittance issue for the period August 1992 to July 1994. The outstanding principal amount is KSh. 1,744,213.20 but this had accumulated interest to the tune of KSh. 21,103,791.77 as at 31st December 2019. The total pension arrears as of January 2020 stood at KShs 22,848,475.13. During the FY 2019/20 Kshs. 13,924,237 was paid and a further provision of KShs 4,065,551 made in the financial statements. The balance remaining now stands at KShs 4,858,686. This will be cleared in subsequent financial years based on budget availability.

iii. Major risks facing the Organisation

The risks identified have been classified departmentally as follows:

Department	Summary of Risks faced
Finance	- Review of risks in the Finance unit shows that a majority of them were rated as being high and significant. Prevalent among them were the Authority reliance on the exchequer for funding its operations and budget estimates that do not conform to the actual expenditure. There is therefore need to manage these risks by exploring avenues for additional funding by developing a resource mobilization strategy with the development partners in order for KenInvest to effectively achieve the strategic objectives. This can be enhanced through engagement of a resource mobilization

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Department	Summary of Risks faced
	officer who will build the unit's capacity to prepare good proposals to lobby for funding.
Human Resource and Administration	<ul style="list-style-type: none"> - The unit had the records management, staff recruitment, staff training, and motor vehicle running costs specifically fuel price fluctuation and entry of unauthorized people to office premises as the areas prone to the higher. Though there are key controls in place implementation of improvement actions is needed e.g. Documents are in lockable filing cabinets, there is need to have modern filing cabinets and explore the e- filing possibility to safeguard the records in case of fires so that loss of records is minimized, making provision for price fluctuations during budgeting and ensuring biometrics are working. - The risk of lack of proper job matching and skill matching, failure to continuously train staff was rated high. Minimum qualifications are however set for each position to ensure matching of skills & job requirements. To minimize the risk the key controls in place should be enforced.
Procurement	<ul style="list-style-type: none"> - The risks in the procurement unit are generally manageable with two areas having high risks which are receiving of poor-quality goods and theft/damage of goods in the store while significant risks are purchase of over priced goods & services, & services and collusion with bidders. There is need for procurement staff to continually undergo training by PPRA on best practices in procurement. In addition, adherence to the approved procurement plan should be observed to ensure that goods and services are supplied immediately
Investors Services	<ul style="list-style-type: none"> - Failure to meet the target project visit schedule as per departmental work plan due to budget constraints being the highest or principal risk in the organization. The other risks are risks associated with protection of sensitive investor information and lack of complete official investor statistics. This needs immediate review of risks and instituting of the proposed recommendations as investor services plays a key role in executing of the organization mandate of facilitating and retaining investment in Kenya.
Investment Promotion	<ul style="list-style-type: none"> - Failure to meet the set investment targets due to lack of capacity and budget constraints and occurrence of errors on promotional materials, recycling of out dated information due to lack of resources to provide services to Investors.
Legal and Corporate Affairs	<ul style="list-style-type: none"> - Award of damages to plaintiffs for ongoing court cases against the Authority was noted as a risk given the limited available budget and delays in the sealing of contracts which would mean late execution and at times getting time barred. - The Corporate Communications unit is mandated to create awareness of the existence of the authority and its functions. However, lack of awareness of the authority's activities stands out as a significant risk in the L&CA department. There is therefore need to aggressively market Ken invest activities in order to fulfil its mandate.
Internal Audit	<ul style="list-style-type: none"> - High risk of failure to identify and correctly rate risks in audit areas. In adequate allocation of audit resources based on the skills and numbers possess the risk of non-completion of the planned audit assignments thus compromising the effectiveness of the audit process and the value addition objective

9. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Authority's affairs.

Principal activities

The principal activities of the Authority continue to be attraction and facilitation of investments both locally and internationally.

Results

The results of the Authority for the year ended June 30, 2020 are set out on page 1 to 25.

Directors

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

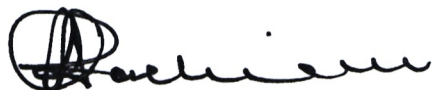
Dividends/Surplus remission

The entity made a surplus of KShs 40,283 during the year and will therefore make a remittance to the Consolidated Fund of KShs 36,255 once the financial statements are audited.

Auditors

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

By Order of the Board



Ms. Olivia Rachier
Corporate Secretary

Nairobi

Date: 30/04/2021

10. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and the Investment Promotion Act, 2004 require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2020. 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 Authority; (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 Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Investment Promotion Act, 2004. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2020, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

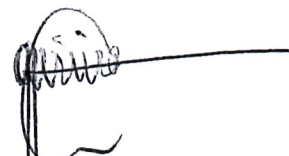
Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 22 SEPTEMBER 2020 and signed on its behalf by:



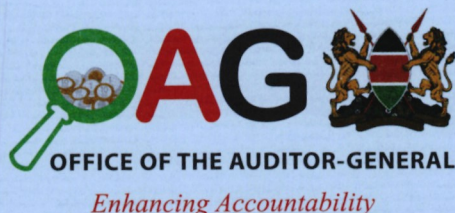
Chairman of the Board
Hon. Dennis Waweru



Managing Director
Dr. Moses Ikiara

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KENYA INVESTMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Kenya Investment Authority set out on pages 1 to 23, which comprise the statement of financial position as at 30 June, 2020 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 Kenya Investment Authority as at 30 June, 2020 and its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Investment Promotion Act, 2004 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 Kenya Investment Authority 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 judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Delay in Completion of Project

As was previously reported, the Authority signed a contract with a local contractor for the proposed office partitioning for the establishment of One Stop Centre at the Authority's

Headquarters UAP, Old Mutual Tower 14th and 15th floors at a contract sum of Kshs.144,427,233. The contract commenced on 27 January, 2017 and was to be completed on 20 May, 2017, a period of sixteen (16) weeks. However, examination of documents provided for audit revealed that an amount of Kshs.77,140,482 representing 53% of the total contract sum was certified as at 30 June, 2019. Despite Management's explanation that the Authority was in constant communication with the State Department for Works (Project Managers) to fast track the completion of the project, the contractor was not able to fully complete the contract as at 30 June, 2020. Also, despite the issuance of certificate of practical completion dated 13 November, 2019, the contract works were yet to be handed over to the Authority as at the time of audit in May, 2021.

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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Unimplemented Organization Structure

As previously reported, the Authority had in-post eighty-six (86) staff members representing 61% of the approved establishment of one hundred & forty (140) members of staff spread across various functional areas. Available records reflect that the low number is attributed to inadequate funding to facilitate recruitment. The Management further explained that the inadequate staffing within the Authority is as a result of the pending parastatals reforms.

Consequently, inadequate staffing may give rise to inadequate segregation of duties and impair service delivery to the citizens.

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

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

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

Auditor-General's Responsibilities for the Audit

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 Authority's 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 Authority'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 Authority to cease 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 Authority 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

27 January, 2022

Kenya Investment Authority
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12. STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		KShs	KShs
Revenue from non-exchange transactions			
Transfers from other governments	6	263,200,000	212,318,900
		263,200,000	212,318,900
Revenue from exchange transactions			
Other income	7	68,135	56,585
Total revenue		263,268,135	212,375,485
Expenses			
Use of goods and services	8	60,480,948	53,496,126
Employee costs	9	179,392,599	167,003,093
Remuneration of directors	10	6,158,012	5,061,593
Depreciation expense	11	5,124,179	9,091,442
Repairs and maintenance	12	1,736,252	603,815
Programme Costs	13	9,800,102	15,952,012
Others gains/ (losses)			
Loss on sale of assets	14	535,759	-
Total expenses		263,227,852	251,208,081
Surplus/(deficit) for the period/year		40,283	(38,832,596)
Remission to National Treasury	25	36,255	-
Net Surplus/ (deficit) for the year		4,028	(38,832,596)
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus/ (deficit) attributable to owners of the controlling Authority		4,028	(38,832,596)
		4,028	(38,832,596)

The notes set out on pages 6 to 25 form an integral part of these Financial Statements

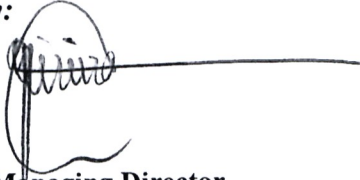
Kenya Investment Authority
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13. STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	2019-2020	2018-2019
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	15	92,058,584	71,962,911
Receivables from exchange transactions	16	772,191	423,384
Deposits	17	420,000	400,000
		93,250,775	72,786,295
Non-current assets			
Property, plant and equipment	18	104,098,724	131,587,895
Total assets		197,349,499	204,374,190
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	19	15,404,317	10,549,959
Deferred income	20	10,000,000	-
		25,404,317	10,549,959
Total liabilities		25,404,317	10,549,959
Net assets			
Reserves		171,945,182	193,824,231
Accumulated surplus		76,447,381	98,336,430
Capital Fund		95,497,801	95,497,801
Total net assets and liabilities		197,349,499	204,374,190

The Financial Statements set out on pages 1 to 25 were signed on behalf of the Board of Directors by:



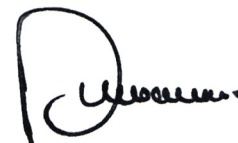
Managing Director
Name: Dr. Moses Ikiara

Date: 30/04/2021.....



Head of Finance
Name: Donna Atieno
ICPAK Member No: 7332

Date: 30/04/2021.....



Chairman of the Board
Name: Hon. Dennis Waweru

Date: 30/04/2021.....

14. STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2020

	Retained earnings	Capital/ Development Grants/Fund	Total
At July 1, 2018	137,159,026	95,497,801	232,656,827
Total comprehensive income	(38,832,596)	-	(38,832,596)
Capital/Development grants received during the year	-	-	-
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-
At June 30, 2019	98,326,430	95,497,801	193,824,231
At July 1, 2019	98,326,430	95,497,801	193,824,231
Total comprehensive income	40,283	-	40,283
Capital/Development grants received during the year	-	-	-
Transfer/ Adjustments of Net Assets	(21,919,333)	-	(21,919,333)
At June 30, 2020	76,447,381	95,497,801	171,945,182

Notes:

a) Capital/ Development Grants/Fund

The fund is supporting the ongoing work in progress for the establishment of the One Stop Centre at the Authority's Headquarters at UAP Old Mutual Tower 14th and 15th Floor, Upper Hill Road. This project is expected to be handed over in 2020/2021 FY and associated funds expensed accordingly.

b) Retained Earnings

This is the net assets invested in the Authority.

c) Transfer/ Adjustments of Net Assets

The Authority has derecognized assets worth KShs 21,919,333 which were taken over by the Ministry of East Africa Community at Kenya Railways Headquarters Block D when the Authority relocated to UAP Old Mutual Towers.

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15. STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		KShs	KShs
<i>Cash flows from operating activities</i>			
<i>Receipts</i>			
Transfers from other governments	6 (b)	273,200,00	207,318,900
Other income	7	68,135	56,585
<i>Total Receipts</i>		273,268,135	207,375,485
<i>Payments</i>			
Use of goods and services	8	60,480,948	42,649,975
Employee costs	9	175,327,048	153,583,470
Board Expenses	10	6,158,012	5,061,593
Repairs and maintenance	12	1,736,252	603,815
Programme Costs	13	9,800,102	15,952,012
<i>Total Payments</i>		253,502,363	217,850,865
<i>Net cash flows from operating activities</i>	21	19,765,772	(10,475,380)
<i>Cash flows from investing activities</i>			
Purchase of property, plant, equipment	18	(204,000)	(5,810,313)
Proceeds from sale of property, plant, equipment	14	113,900	
<i>Net cash flows used in investing activities</i>		(90,100)	(5,810,313)
<i>Cash flows from financing activities</i>			
Increase in deposits	17	420,000	-
Decrease in Deferred Income		-	(5,000,000)
<i>Net cash flows used in financing activities</i>		420,000	(5,000,000)
<i>Net increase/(decrease) in cash and cash equivalents</i>		20,095,672	(21,285,693)
Cash and cash equivalents at 1 JULY	15	71,962,911	93,248,604
Cash and cash equivalents at 30 JUNE	15	92,058,584	71,962,911

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16. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Note
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Transfers from other governments	253,200,000	-	253,200,000	253,200,000	-	
Other income	20,000,000	-	20,000,000	20,068,135	68,135	
Total income	273,200,000	-	273,200,000	273,268,135	68,135	
Expenses						
Employee costs	177,500,000	-	177,500,000	175,327,048	2,172,952	a)
Board Expenses	8,500,000	-	8,500,000	6,158,012	2,341,988	b)
Repairs and maintenance	2,400,000	-	2,400,000	1,736,252	663,748	
Use of goods and services	64,800,000	-	64,800,000	60,480,948	4,319,052	c)
Programme Costs	20,000,000	-	20,000,000	9,800,102	10,199,898	d)
Loss on sale of assets	-	-	-	535,759	(535,759)	
Total expenditure	273,200,000		273,200,000	254,038,122	19,161,878	e)
Surplus for the period				19,230,013		

Notes:

- The employee costs presented as actual is based on actual cashflow out of the Authority and excludes KShs 4,065,551 provision for pension arrears made in the year;
- The Board Expenses reduced in the 4th Quarter as all the meetings were held virtually and the scheduled Board training was not undertaken due to COVID-19 restrictions;
- Expenses for use of goods and services were also lower as some activities such as aftercare services were affected by the pandemic;
- The Authority deferred KShs 10 million under the Regional Integration Investment Programme (RIIP) program as containment measures affected some of the activities that were to be undertaken in the 3rd and 4th Quarter of the year; and
- The surplus does not include provision for depreciation and provision for pension arrears.

17. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

KenInvest is established by and derives its authority and accountability from the Investment Promotion Act. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is facilitating the implementation of new investment projects, providing after care services for new and existing investments, as well as organizing investment promotion activities both locally and internationally. It is also responsible for advocating for appropriate investment policies.

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 Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019</p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.</p> <p><i>This standard has no impact on the Authority.</i></p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Authority's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Authority'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 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Authority provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the Authority; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Authority's financial performance, financial position and cash flows.

iii. Early adoption of standards

The Authority did not early – adopt any new or amended standards in year 2020.

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 Authority 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 realised 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

Rendering of services

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly in June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget.

The Authority's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) 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 Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a 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.

A full year depreciation is charged at the year of acquisition (unless asset is acquired in the last quarter of the financial year in which case the item will not be depreciated in the year of acquisition.) This is because depreciation of an asset should begin when the asset is ready to be used, i.e. the asset is in the location and condition necessary for it to be able to operate in the manner it is intended. Additionally, no depreciation is charged during the year of disposal. The depreciation charge for each period will be recognised as an expense.

The Authority uses the reducing balance method of depreciation at the following rates: Motor Vehicles – 25%; Furniture & Fittings – 10%; and Computers and Office Equipment – 30%.

d) Provisions

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

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority 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 inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. The Authority reserves maintained and appropriate policies adopted are as follows:

- Capital/ Development Grants/Fund - The fund is supporting the ongoing work in progress for the establishment of the One Stop Centre at the Authority's Headquarters at UAP Old Mutual Tower 14th and 15th Floor, Upper Hill Road. This project is expected to be completed in 2020/21 FY and associated funds expensed accordingly.
- Retained Earnings - This is the net assets invested in the Authority.

f) Changes in accounting policies and estimates

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

g) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Authority pays fixed contributions into a separate Authority (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

h) Related parties

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

i) 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 authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Comparative figures

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

k) 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, 2020.

5 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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 Authority;
- 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; and
- Changes in the market in relation to the asset.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 a) TRANSFERS FROM OTHER GOVERNMENTS

Description	2019-2020	2018-2019
	KShs	KShs
Unconditional grants		
Recurrent grant	253,200,000	195,318,900
Regional Investment Integration Programme (RIIP) Grant	10,000,000	17,000,000
Total government grants	263,200,000	212,318,900

The details of the reconciliation have been included under Note 20 and appendix ii & iii.

6 b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Authority sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund KShs	Total grant income during the year KShs	2018-2019 KShs
State Dept. Investment & Industry Recurrent Grant	253,200,000	-	-	253,200,000	195,318,900
State Dept. Investment & Industry-Development Grant	-	-	-	-	-
National Treasury RIIP Grant	10,000,000	10,000,000	-	20,000,000	12,000,000
Total	263,200,000	10,000,000	-	273,200,000	207,318,900

(The details of the reconciliation have been included under Note 20 and appendix ii & iii)

6 OTHER INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Commission Income	68,135	56,585
Total other income	68,135	56,585

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Communication Supplies and Services	3,416,138	2,557,055
Domestic Travels	1,352,568	149,805
Printing Expenses	2,404,109	634,193
Rent Expenses	43,406,002	41,565,201
Utilities Expenses	597,978	1,060,332
Hospitality Expenses	175,862	170,221
Staff Tea	284,592	340,659
Water Expenses	-	46,645
Insurance Expenses	1,493,818	1,294,291
Office and General Supplies and services	1,107,051	790,465
Cleaning Services	2,023,460	2,016,705
Security Services	-	152,947
Fuel, Oil and Lubricants Costs	1,313,663	1,899,123
Subscriptions Expenses	264,007	151,359
Bank Charges	86,758	108,256
Audit Fees	350,000	350,000
Legal Fees	2,204,943	208,868
Total use of goods and services	60,480,948	53,496,126

9 EMPLOYEE COSTS

	2019-2020	2018-2019
	KShs	KShs
Salaries and Wages	133,078,543	137,095,322
Employee related costs - contributions to pensions	33,736,382	16,488,148
Medical Expenses	12,577,675	13,419,623
Total Employee costs	179,392,599	167,003,093

10 REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019
	KShs	KShs
Chairman's Honoraria	1,044,000	898,065
Director Emoluments	2,212,200	3,367,148
Other allowances	2,901,812	796,380
Total director emoluments	6,158,012	5,061,593

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Motor Vehicle	350,661	467,548
Computer and Equipment	2,571,039	3,685,542
Furniture and Fittings	2,202,479	4,938,352
Total depreciation and amortization	5,124,179	9,091,442

12 REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
Motor Vehicles	1,699,425	570,639
Furniture and Fittings	36,827	33,176
Total repairs and maintenance	1,736,252	603,815

13 PROGRAMME COSTS

Description	2019-2020	2018-2019
	KShs	KShs
One Stop Centre (OSC)	-	670,378
Regional Integration Investment Programme (RIIP)	9,800,102	15,281,634
Total programme costs	9,800,102	15,952,012

14 GAIN/LOSS ON SALE OF ASSETS

Description	2019-2020	2018-2019
	KShs	KShs
Cost/ Valuation of Assets	5,996,639	-
Accumulated Depreciation	(5,346,980)	-
Net Book Value	649,659	-
Amount Received	113,900	-
Total loss on sale of assets	(535,759)	-

15 CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Petty Cash	136,861	99,323
Co-operative Bank	91,921,723	71,863,588
Total cash and cash equivalents	92,058,584	71,962,911

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 (a). DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

		2019-2020	2018-2019
Financial institution	Account number	KShs	KShs
a) Current account			
Co-operative Bank of Kenya	1120006651800.00	91,921,723	71,863,588
Sub- total		91,921,723	71,863,588
b) Others(specify)			
Petty Cash -HQS		127,740	75,825
Petty Cash-Eldoret Office		4,247	4,436
Petty Cash- Mombasa Office		4,367	18,877
Petty Cash-Kisumu office		507	185
Sub- total		136,861	99,323
Grand total		92,058,584	71,962,911

16 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Current receivables		
Staff Imprests	372,191	423,384
Debtors	400,000	-
Total current receivables	772,191	423,384
Total receivables	772,191	423,384

17 DEPOSITS

The deposits mentioned herein relate to fuel deposit held by Total Corporation of Kenya the providers of the Authority's fuel.

Description	2019-2020	2018-2019
	KShs	KShs
Deposits	420,000	400,000
Total Deposits	420,000	400,000

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 PROPERTY, PLANT AND EQUIPMENT

<i>Cost</i>	Motor vehicles KShs	Computers & Equipment KShs	Furniture & Fittings KShs	Capital Work in Progress KShs	Total KShs
At 1st July, 2018	29,629,900	36,259,293	115,810,386	73,656,149	255,355,728
Additions	-	1,483,000	842,978	3,484,335	5,810,313
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30 th June 2019	29,629,900	37,742,293	116,653,364	77,140,484	261,166,041
Additions	-	-	204,000	-	204,000
Disposal	-	(3,701,197)	(2,295,442)	-	(5,996,639)
Transfers/adjustments	-	-	(59,771,758)	-	(59,771,758)
At 30 th June 2020	29,629,900	34,041,096	54,790,164	77,140,484	195,601,644
Depreciation and impairment					
At 1st July, 2018	27,759,708	25,457,152	67,269,844	-	120,486,704
Depreciation	467,548	3,685,542	4,938,352	-	9,091,442
Disposal	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30 th June 2019	28,227,256	29,142,694	72,208,196	-	129,578,146
Depreciation	350,661	2,571,039	2,202,479	-	5,124,179
Disposal	-	(3,671,729)	(1,675,251)	-	(5,346,980)
Transfers/adjustments	-	-	(37,852,425)	-	(37,852,425)
At 30 th June 2020	28,577,917	28,042,004	34,882,999	-	91,502,920
Net book values					
At 30 th June 2020	1,051,983	5,999,092	19,907,165	77,140,484	104,098,724
At 30 th June 2019	1,402,644	8,599,599	44,445,168	77,140,484	131,587,895

Notes:

- Under Furniture and Fittings, the Authority has derecognized assets worth KShs 21,919,333 which were taken over by the Ministry of East Africa Community at Kenya Railways Headquarters Block D when the Authority relocated to UAP Old Mutual Towers. This was Authorized by the National Treasury.
- The Capital Work in Progress relates to the ongoing office partitioning for the establishment of One Stop Centre at the Authority's Headquarters at UAP Old Mutual Tower 14th and 15th floor. The project is complete and is now within the defect's liability period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	KShs	KShs
Trade payables	2,924,719	2,135,912
Retention	7,714,047	7,714,047
Audit Fees	700,000	700,000
Pension Arrears	4,065,551	-
Total trade and other payables	15,404,317	10,549,959

20 DEFERRED INCOME

Description	2019-2020	2019-2018
	KShs	KShs
Regional Integration Investment Programme (RIIP) grant	10,000,000	-
Total deferred income	10,000,000	-

The deferred income movement is as follows:

	National government	Total
Balance brought forward	-	-
Additions	10,000,000	10,000,000
Transfers to Capital fund	-	-
Transfers to income statement	-	-
Other transfers	-	-
Balance carried forward	10,000,000	10,000,000

21 CASH GENERATED FROM OPERATIONS

	2019-2020	2018-2019
	KShs	KShs
Surplus for the year before tax	40,283	(38,832,596)
Adjusted for:		
Depreciation	5,124,179	9,091,442
Loss on disposal of assets	535,759	
Working Capital adjustments		
Increase in receivables	(368,807)	24,401,027
Fuel Deposit paid	(420,000)	-
Increase in payables	4,854,358	(5,135,253)
Increase in deferred income	10,000,000	-
Net cash flow from operating activities	(19,765,772)	(10,475,380)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 FINANCIAL RISK MANAGEMENT

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

The Authority's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. The carrying amount of financial assets recorded in the financial statements representing the Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from exchange transactions	772,191	772,191	-	-
Bank balances	91,921,723	91,921,723	-	-
Total	92,693,914	92,693,914	-	-
At 30 June 2019				
Receivables from exchange transactions	423,384	423,384	-	-
Bank balances	71,863,588	71,863,588	-	-
Total	72,286,972	72,286,972	-	-

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 Authority has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The board of directors sets the Authority'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 Authority's directors, who have built an appropriate liquidity risk management framework for the management of the Authority's short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (continued)

The table below represents cash flows payable by the Authority 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
At 30 June 2020				
Trade payables	-	2,924,719	8,414,047	11,338,766
Deferred Income		-	10,000,000	10,000,000
Total	-	2,924,719	18,414,047	21,338,766
At 30 June 2019				
Trade payables	-	2,485,912	8,064,047	10,549,959
Deferred income		-	-	-
Total		2,485,912	8,064,047	10,549,959

(iii) Capital Risk Management

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

	2019-2020	2018-2019
	Kshs	Kshs
Retained earnings	76,447,381	98,326,430
Capital/Development Grant fund	95,497,801	95,497,801
Total funds	171,945,182	193,824,231
Total borrowings	-	-
Less: cash and bank balances	(92,058,584)	(71,962,911)
Net debt/ (excess cash and cash equivalents)	79,886,598	121,861,320
Gearing	46%	63%

22 RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the Authority 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 RELATED PARTY BALANCES (Continued)

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the Authority's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Authority, both domestic and external. Other related parties include: Our Parent Ministry (State Department of Industrialization); KenInvest's Board of Directors; and the Managing Director and General Managers (Senior Management) of KenInvest.

	2019-2020	2018-2019
	Kshs	Kshs
<i>Transactions with related parties</i>		
a) Grants from the Government		
Grants from National Govt	253,200,000	195,318,900
<i>Total</i>	<i>253,200,00</i>	<i>195,318,900</i>
b) <i>Key management compensation</i>		
Chairperson emoluments	1,044,000	898,065
Compensation to the MD	8,640,000	8,640,000
Compensation to key management	18,060,596	17,568,476
<i>Total</i>	<i>27,744,596</i>	<i>27,106,541</i>

23 CONTINGENT LIABILITIES

The delay in completion of One Stop Centre for Investors may result in a contingent liability in the event the Contractor claims damages for delay in contract payment. However, the liability cannot be reasonably quantified.

24 CAPITAL COMMITMENTS

Capital commitments	2019-2020	2018-2019
	Kshs	Kshs
Authorised and contracted for	144,427,766	144,427,766
Total	144,427,766	144,427,766

25 DIVIDENDS/SURPLUS REMISSION

The entity made a surplus of KShs 40,283 during the year and will therefore make a remittance to the Consolidated Fund of KShs 36,255 once the financial statements are audited.

26 EVENTS AFTER THE REPORTING PERIOD

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

27 ULTIMATE AND HOLDING AUTHORITY

The Authority is a State Corporation under the Ministry of Industrialization, Trade and Enterprise Development. Its ultimate parent is the Government of Kenya.

28 CURRENCY

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

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18. APPENDICES

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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)
2018/2019 FY	<p>1. Delay In Completion of Project As was previously reported, the Authority signed a contract with M/s Resjos Enterprises Ltd for the proposed office partitioning for the establishment of One Stop Centre at the Authority's Headquarters at UAP Old Mutual Tower 14th and 15th floor at a sum of Kshs.144,427,232.60. The contract commenced on 27 January 2017 running to 20 May 2017 a period of sixteen weeks. However, an examination of available documents revealed that an amount Kshs.77,140,481.95 representing 53.41% of the total contract sum was certified as at 30 June 2019.</p> <p>Despite management explanation that the Authority is in constant talks with the State Department of Public Works (Project Managers) to fast track the completion of the project, the contractor has not been able to fully discharge the contract as at 30 June 2019. Likewise, despite issuance of certificate of practical completion dated 13 November 2019, contract works were yet to be handed over to the Kenya Investment Authority as at May 2020.</p> <p>In the circumstances, failure to fully discharge the contract contravenes the agreement terms and this may leave the Authority exposed and at the convenience of the contractor.</p>	<p>The State Department of Public Works (the Project Managers) requested KenInvest to authorize them to deduct the outstanding works and defects from the Project's Final Account in accordance with clause 20.3 of the conditions of the contract that allows for costs to remedy the defects be deducted from the contract price on 22nd April, 2021. The Authority granted the approval on 23rd April, 2021. It is expected that the project will now be fast tracked and final payment made to the contractor before the close of 2020/21 FY.</p> <p>Payment made remains at 53.41% as the Certificate of Practical Completion issued by the Project Manager did not include the value of the works certified and the Authority is yet to receive any request for payment due to the Contractor.</p>	<p>Dr. Moses Ikiara Managing Director</p>	<p>Not Resolved</p>	<p>June 2021</p>

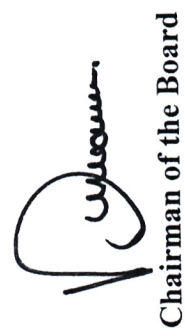
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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.	<p>Implementation of Organization Structure The Authority had an in-post of eighty-six (86) or 61% of an approved establishment of one hundred and forty (140) members of staff spread across the various functional areas. Available records indicate that the low number is attributed to inadequate funding to facilitate recruitment. The management also explained that the inadequate staffing within the Authority was as a result of impending parastatal reforms. Inadequate staffing may give rise to inadequate segregation of duties and impairs effective service delivery to the citizens.</p>	<p>The Board has identified and approved critical positions that required immediate replacement. This was prioritized and recruitment is currently ongoing. The replacement of staff has been staggered based on budget availability. This will be done until all key personnel are replaced.</p>	<p>Dr. Moses Ikiara Managing Director</p>	<p>Not Resolved</p>	<p>December, 2021</p>
2017/2018 FY					
2.	<p>Irregular Procurement During the year under review, the Authority invited suppliers through request of quotations to carry out general office repairs. However, although Frozen Ventures, Maximum Enterprises, Event deals and General supplies and Seromax Investments were invited to quote, none of them was pre-qualified to carry out any works in the Authority. The works awarded to Seromax Investments at a cost of Kshs. 86,293. Further Skytrack GPS East was paid Kshs. 174,482 for providing car tracking services but was also not a prequalified supplier. The Authority therefore contravened Section 95(3) of the Public Procurement and Asset Disposal Act, 2015 which requires that a procuring entity to invite tenders from only the approved persons who have been pre-qualified.</p>	<p>The prequalified list of suppliers is regularly updated to ensure all suppliers are captured</p>	<p>Mr. Hosea Kemboi Procurement Manager</p>	<p>Resolved</p>	<p>July 2019</p>

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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)
3.	<p><u>Procurement Plan</u> The procurement plan for the financial year 2017/2018 availed for audit review was not comprehensive as it only highlighted summed up final figures and lacked detailed breakdown of the goods, works or services required as stipulated in Section 21(1) of Public Procurement and Disposal Regulations, 2006. Further, the heads of departments did not submit their annual work plans to the accounting officer as required to form consolidated annual procurement plans as stipulated in Section 20(4) of the Public Procurement and Disposal Regulations, 2006.</p>	<p>The Procurement plan for 2019/2020 FY approved by the Board in July 2019 was itemized as recommended.</p>	<p>Mr. Hosea Kemboi Procurement Manager</p>	Resolved	July 2019
4.	<p><u>Employment Contract</u> Through a letter dated 6th January 2017, the contract of the Managing Director was renewed by the Chairperson of the board for a period of four years commencing 11th February 2017. However, no formal written contract agreement for the Managing Director's extended contract was availed for audit verification.</p>	<p>The Contract for the Managing Director's second term was signed on 1st November, 2019 with effect from 11th February 2017 (now past) for a period of 4 years up to 10th Feb 2021 on the same terms and conditions of service as the previous contract.</p>	<p>Hon. Dennis Waweru Chairman, Board of Directors</p>	Resolved	November, 2019


Managing Director


Chairman of the Board

Date

APPENDIX II: INTER-AUTHORITY TRANSFERS

	ENTITY NAME:	Kenya Investment Authority		
	Break down of Transfers from the State Department of Industrialization			
	FY 2019/2020			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	State Department of Industrialization	16/08/2019	63,300,000	FY 2019/2020
	State Department of Industrialization	18/10/2019	63,300,000	FY 2019/2020
	State Department of Industrialization	30/01/2020	63,300,000	FY 2019/2020
	State Department of Industrialization	05/05/2020	21,100,000	FY 2019/2020
	State Department of Industrialization	02/06/2020	21,100,000	FY 2019/2020
	State Department of Industrialization	29/06/2020	21,100,000	FY 2019/2020
		Total	253,200,000	
b.	Other Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	National Treasury- Regional Integration Implementation Programme	07/10/2019	10,000,000	FY 2019/2020
	National Treasury- Regional Integration Implementation Programme	18/03/2020	10,000,000	FY 2019/2020
		Total	20,000,000	

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager
KenInvest

Head of Accounting Unit
State Department of Industrialization

Sign -----

Sign-----

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APPENDIX III: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date Received	Nature: Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recognized				Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income		
State Department of Industrialization	16/08/2019	Recurrent	63,300,000	63,300,000	-	-	63,300,000	
National Treasury- Regional Integration Implementation Programme	07/10/2019	Unconditional grant	10,000,000	10,000,000			10,000,000	
State Department of Industrialization	18/10/2019	Recurrent	63,300,000	63,300,000	-	-	63,300,000	
State Department of Industrialization	30/01/2020	Recurrent	63,300,000	63,300,000	-	-	63,300,000	
National Treasury- Regional Integration Implementation Programme	18/03/2020	Unconditional grant	10,000,000	-		10,000,000	10,000,000	
State Department of Industrialization	05/05/2020	Recurrent	21,100,000	21,100,000	-	-	21,100,000	
State Department of Industrialization	02/06/2020	Recurrent	21,100,000	21,100,000	-	-	21,100,000	
State Department of Industrialization	29/06/2020	Recurrent	21,100,000	21,100,000	-	-	21,100,000	
Total			273,200,000	263,200,000	-	10,000,000	273,200,000	