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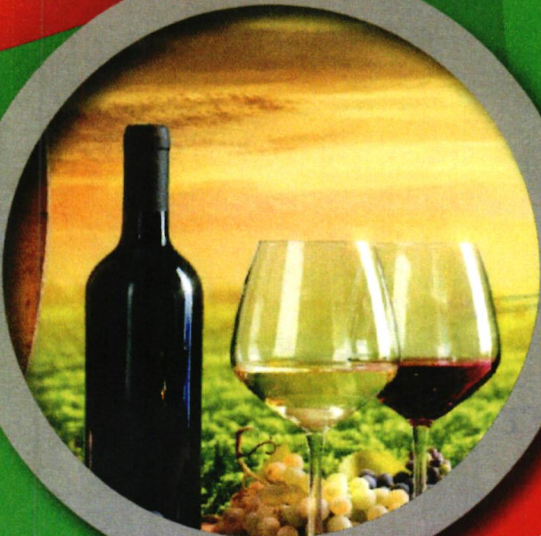
REGULATORY AND OTHER NON-COMMERCIAL ENTITIES

PRIVATIZATION COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2019





PRIVATIZATION COMMISSION

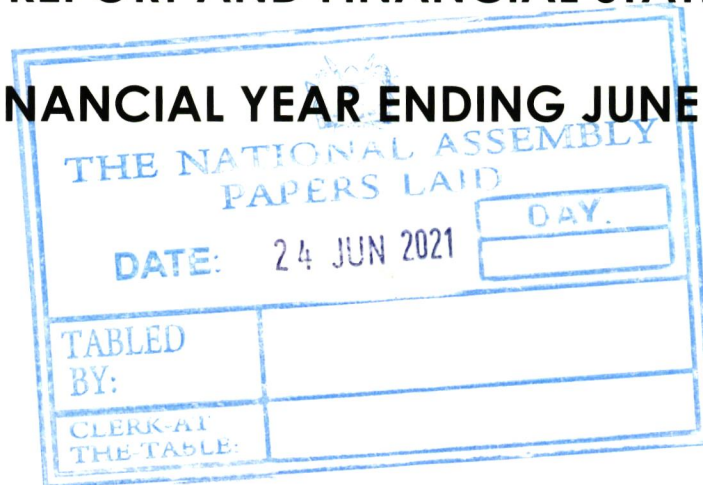
Enhancing Kenya's Productive Capacity

REGULATORY AND OTHER NON-COMMERCIAL ENTITIES

PRIVATIZATION COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING JUNE 30, 2019



Prepared in accordance with the Accrual Basis of Accounting Method under the

International Public Sector Accounting Standards (IPSAS)

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KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

b) Principal Activities

The principal activities of the Privatization Commission are to:

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

The Commission began its operations in February 2008.

Vision

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

Mission

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

Core Objectives

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

c) Key Management

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

- Commission Members;
- Executive Director/CEO; and

- Management.

d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

S/NO.	DESIGNATION	NAME
1.	Executive Director/CEO	Joseph Koskey
2.	Transactions Manager	Janerose Omondi
3.	Transactions Manager	Charles Ochola
4.	Procurement Manager	Sylvester Kamau
5.	Finance Manager	Virginiah Kariuki
6.	Human Resources and Admin. Manager	Caroline Kittur
7.	Risk and Compliance Manager	Florah Muthaura
8.	Corporate Affairs Officer	Bessie Valerie Atieno
9.	Legal Affairs Officer	Maureen Chebet Saina
10.	Internal Audit Officer	Valentine Odhiambo
11.	ICT Officer	Shadrack Oriaro

e) Fiduciary Oversight Arrangements

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

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

f) Privatization Commission Office

P O Box 34542 - 00100
11th Floor Extelcoms House
Haile Selassie Avenue
Nairobi, KENYA

g) Privatization Commission Contacts

Telephone: +254 20 221 23 46/7/8
Email: info@pc.go.ke
Website: www.pc.go.ke

h) Privatization Commission Bankers

Kenya Commercial Bank
University Way Branch
NAIROBI, KENYA

Kenya Commercial Bank
KICC Branch
NAIROBI, KENYA

Co-operative Bank of Kenya Limited
Co-operative Bank House
Haile Selassie Avenue
NAIROBI, KENYA

HFC Ltd.
Gill House
Tom Mboya Street
NAIROBI, KENYA

i) Independent Auditors

Auditor General
Kenya National Audit Office Anniversary Towers,
University Way
P .O .Box 30084 - GPO 00100
NAIROBI, KENYA

j) Principal Legal Advisor

The Attorney General
Office of the Attorney General and Department of Justice
Harambee Avenue
P O Box 40112 - City Square 00200
NAIROBI, KENYA

THE BOARD OF DIRECTORS

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



Dr. Otuoma holds a Bachelor of Veterinary Medicine degree and a Master of Business Administration degree in Strategic Management both from the University of Nairobi.

He is a former Minister for Fisheries, Youth and Sports and Local Government. He is also a former Member of Parliament for Funyula Constituency. While in Parliament, he served in the Parliamentary Lands Committee and the Public Investments Committee.

Hon. Otuoma was appointed on 19th December 2018, taking over from the Late Hon. Henry Obwocha, who passed away on 4th August 2018.

DOB: 15.09.1966

Mr. Henry Rotich, Cabinet Secretary - The National Treasury



Mr. Rotich holds a Master of Economics degree and a Bachelor of Economics degree, both from the University of Nairobi. He also has a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University.

Prior to this appointment as a Cabinet Secretary in 2013, Mr. Rotich had been the Head of Macro-Economics function at the National Treasury. Mr. Rotich is also a Director on several Boards of State Corporations.

DOB: 1969

Hon. Justice (Rtd.) Paul Kihara - Attorney General



Judge Kariuki was appointed Attorney General of the Republic of Kenya in March 2018. Judge Kariuki was admitted to the Bar in 1978 after completing his Post-Graduate Diploma in Law at the Kenya School of Law, Nairobi.

Judge Kariuki has served as Chancellor or Honorary Legal Advisor for The Anglican Church of Kenya, Member of the Kenya Anti-Corruption Authority Advisory Board, Chair of Thomas Barnado House and Rotary International. He is an esteemed member of Law Society of Kenya, Commonwealth Lawyers Association and the International Bar Association.

DOB: 11.05.1954

Ms. Beatrice Gathirwa – Alt. to the CS, National Treasury



Ms. Gathirwa holds a Bachelor of Commerce (Accounting) Degree and Master of Business Administration degree both from the University of Nairobi.

She is the Director, National Assets and Liability Management at the National Treasury. She represents the Cabinet Secretary, National Treasury on the Boards of various State Corporations.

D.O.B 10.06.1956

Amb. Boaz Kidiga Mbaya, CBS, MBS



Amb. Mbaya holds a Bachelor's degree in Political Science and Literature and a Post-Graduate Diploma in International Relations, both from the University of Nairobi. He is an accomplished public servant with a deep understanding of Public Policy. He has previously served as Permanent Secretary, Ministry of Foreign Affairs.

He is currently the Executive Director, Centre for Policy Analysis, an independent think tank and consultancy firm specializing in public policy analysis, research, management and training. His term on the Board expired on 28th June 2019.

DOB: 14.03.1951

Mr. John Joseph Tito



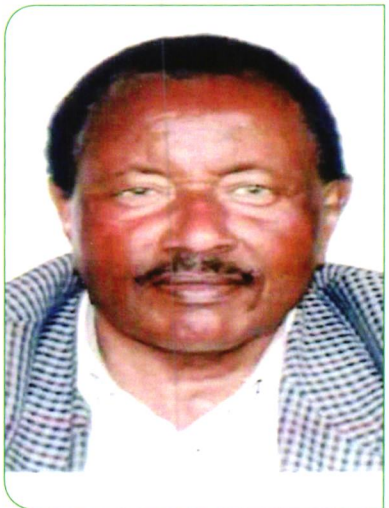
Mr. Tito holds a Bachelor of Laws degree from the University of Nairobi, a Post-Graduate Diploma in Law from the Kenya School of Law, and other Post Graduate Diplomas in Aviation Law, International Business and Transnational Law.

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

He is currently a Managing Partner of Tito & Associates Advocates, a legal consultancy and advisory services firm based in Nairobi. His term on the Board expired on 28th June 2019.

DOB: 30.03.1967

Mr. John Boru Sosso Halake



Mr. Halake is a career civil servant and holds a Bachelor's degree from the University of Dar es Salaam. He has attended the University of Leeds in UK and the Harvard University in USA where he studied Financial Management and Budgeting in the public sector. He has previously served as the Permanent Secretary in the Ministry of Culture and Social Services, Financial Secretary/Accounting Officer Ministry of Finance and Chairman of the National Council for Persons with Disabilities (NCPWD). His term on the Board expired on 28th June 2019.

DOB: 16.04.1948

Ms. Zipporah Mukoruru

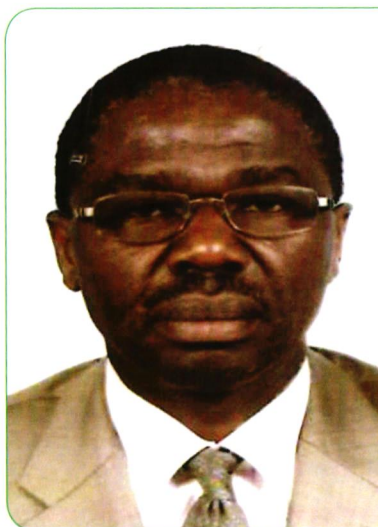


Ms. Mukoruru holds a Master's degree in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Bachelor's degree in Education from Kenyatta University and a Diploma in Purchasing and Supplies Management from the University of Nairobi.

She is a member of Kenya Institute of Supplies Management. She previously worked as a Senior Lecturer at the Meru Teachers Training College. Her term on the Board expired on 28th June 2019.

DOB: 23.10.1972

Mr. Wilfred Kipkorir Sang



Mr. Sang holds a BSc. in Agriculture from the University of Nairobi and a Master of Business Administration (Financial Services Sector) from Sheffield Hallam University in the United Kingdom. He also holds a Banking Diploma (ACiB) and Financial Studies Diploma (DipFS) professional qualifications from the Chartered Institute of Bankers – London where he is also a Fellow.

He has served with the Government of Kenya and Kenya Commercial Bank Ltd. He is currently in private business. His term expired on 28th June 2019.

DOB: 28.09.1960

Mr. Mohamed Suraw Issak



Mohamed Suraw Issak holds a Master of Business Administration (Strategic Management) degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a Bachelor's degree in Human Resource Management from Kampala University.

He has previously served as a Mayor of the Municipal Council of Nakuru and Councillor for Kwa Rhoda Ward, Nakuru Municipality. He is currently the Director, Falcon Service Station in Nakuru County.

Mr. Mohamed is a full member of the Kenya Institute of Management (KIM). His term on the Board expired on 28th June 2019.

DOB: 02.04.1974

Ms. Faith J. Bett-Boinet



Faith has a Bachelor of Laws (LLB) Degree from Moi University and a Diploma in Law from the Kenya School of Law. She also holds a Diploma in Human Resource Management from the Kenya Institute of Management.

She is a certified Corporate Governance trainer and a life member of FIDA and is currently the Managing Partner, Boinett & Bet Co. Advocates. Her term on the Board expired on 28th June 2019.

DOB: 24.09.1979

Sharon Irungu Asiyo - Alternate to the AG



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

Sharon is a State Counsel at the Office of the Attorney-General and Department of Justice currently based in the Government Transactions Division. She is a member of the Law Society of Kenya (LSK).

DOB: 27.06.1981

Mr. Joseph Koskey - Executive Director/CEO



Joseph is the Executive Director/CEO effective 1st November 2018. He holds a Master of Business Administration (Strategic Management) degree and a Bachelor of Commerce (Accounting) degree from the University of Nairobi and is currently pursuing his PhD in Business Administration at the same university.





He has a distinguished leadership career with a proven track-record of achievements (both in the private and public sectors) in revenue growth, productivity improvement, operational excellence and bottom-line turnaround.

He is a member of Institutes of Certified Public Accountants of Kenya (ICPAK), the Institute of Certified Secretaries of Kenya (ICS) and the Institute of Directors - Kenya (IOD-K). He is also a certified trainer on corporate governance.

DOB 29.01.1970

MANAGEMENT TEAM

NAME OF STAFF	RESPONSIBILITY
<p>MR. JOSEPH KOSKEY - effective 1st November 2018</p>  <p>Joseph holds a Master of Business Administration (Strategic Management) degree and a Bachelor of Commerce (Accounting) degree from the University of Nairobi. He is currently pursuing his PhD in Business Administration. He is a member of the Institutes of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Secretaries of Kenya (ICS) and Institute of Directors - Kenya (IOD-K). He is also a certified trainer on corporate governance.</p> <p>Joseph took over as the CEO of the Commission from Dr. Janerose Omondi, who held the position in an acting capacity.</p>	<p>EXECUTIVE DIRECTOR/CEO</p> <p>Enhancing the mission, vision and values of the Commission on all matters relating to the implementation of the Privatization Programme; and provision of leadership in the development and implementation of appropriate strategies.</p>
<p>Dr. Janerose Omondi</p>  <p>Janerose has a PhD in Business Administration from Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Master of Business Administration degree (Strategic Management) from the Kenya Methodist University, and a Bachelor of Science degree in International Business Administration (Finance) from United States International University – Africa (USIU-A). She is a Certified Public Accountant (K).</p>	<p>TRANSACTIONS MANAGER</p> <p>Managing privatization transactions.</p>
<p>Charles Ocholla</p>  <p>Charles holds a Master of Business Administration degree (Finance Option) from the University of Nairobi and a Bachelor of Arts degree in Economics from Kenyatta University. He is a practicing member of Institute of Certified Investment and Financial Analysts (ICIFA) and the Institute of Directors (IOD-Kenya).</p>	<p>TRANSACTIONS MANAGER</p> <p>Managing privatization transactions.</p>
<p>Caroline Kittur</p>  <p>Caroline has a Master of Business Administration degree in (Strategic Management) and a Bachelor of Arts degree in Sociology from Moi University; a Higher National Diploma in Human Resources Management from the Institute of Human Resource Management (IHRM); and an Executive Diploma in Industrial Relations from the United States International University – Africa (USIU-A). She is a Certified HR Professional by the IHRM and a Certified Conflict Mediator.</p>	<p>HUMAN RESOURCE AND ADMINISTRATION</p> <p>Managing the Human Resources and Administration function.</p>

NAME OF STAFF	RESPONSIBILITY
<p data-bbox="92 163 326 198">Sylvester Kamau</p>  <p data-bbox="352 209 1019 646">Sylvester holds a Master of Science (MSc) degree in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and a CIPS Post-Graduate Professional Diploma in Procurement and Supplies. He also holds a Bachelor of Arts degree in Government and Public Administration from Moi University. He is currently pursuing his PhD in Supply Chain Management from JKUAT. He is a registered and licensed member of the Kenya Institute of Supplies Management.</p>	<p data-bbox="1044 163 1251 198">PROCUREMENT</p> <p data-bbox="1044 224 1433 345">Ensuring quality, effective and proactive procurement support services.</p>
<p data-bbox="92 666 322 701">Florah Muthaura</p>  <p data-bbox="352 722 1019 934">Florah holds a Master of Business Administration degree in Strategic Management and a Bachelor of Commerce Degree (Actuarial Science) both from the University of Nairobi. She is a Certified Public Accountant (K).</p>	<p data-bbox="1044 666 1332 701">RISK & COMPLIANCE</p> <p data-bbox="1044 722 1433 799">Managing risk and compliance.</p>
<p data-bbox="92 956 322 991">Virginiah Kariuki</p>  <p data-bbox="352 1013 1019 1404">Virginiah is a holder of a Master of Business Administration degree (Strategic Management) and a Bachelor of Science degree in Business Administration (Accounting and Management) both from USIU-A. She is a CPA (K) and a CPS finalist. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK). She is also a Quality Management System ISO 9001:2015 Lead Auditor.</p>	<p data-bbox="1044 956 1365 991">FINANCE & ACCOUNTS</p> <p data-bbox="1044 1013 1433 1092">Sound financial management.</p>
<p data-bbox="92 1423 306 1458">Maureen Saina</p>  <p data-bbox="352 1487 1019 1786">Maureen is an advocate of the High Court of Kenya holding a Masters' degree in Public Policy from the University of Strathclyde, a Post-Graduate Diploma in Legal Studies from Kenya School of Law and a Bachelor of Laws degree from Catholic University of Eastern Africa. She is a member of the Law Society of Kenya.</p>	<p data-bbox="1044 1423 1251 1458">LEGAL AFFAIRS</p> <p data-bbox="1044 1487 1369 1522">Managing legal affairs.</p>

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

CHAIRMAN'S STATEMENT

I am pleased to present my first annual report as the Chairman of the Privatization Commission, having been appointed by H.E President Uhuru Kenyatta on 19th December 2018. This report covers the year ended 30th June 2019.

During the year no privatizations were completed hence the report is limited to the Commission's Annual Financial Statement. Section 15 and 16 of the Privatization Act states that the Commission's Annual Report should include the Annual Financial Statements for the year and where a corporation was privatized during the year, a statement of the assets and liabilities of the State Corporation and the proceeds from privatization.

Privatization Commission is one of the State Corporations whose operations were affected by the implementation of the report by the Presidential Task Force on Parastatal Reforms. Consequently, the Cabinet, at its meeting held on 10th July 2014, made a decision that all proposed/intended privatizations be held in abeyance pending the report on rationalization of State Owned Enterprises (SOEs). And while the decision slowed down the then on-going transactions work, I am pleased to report that the Cabinet, sitting on 21st February 2019, rescinded the Cabinet directive of July 2014, effectively lifting the moratorium placed on all proposed privatizations of SOEs pending the completion of the report of the Task Force on Rationalization of State-Owned Enterprises, to pave way for continuation of implementation of the Privatization Programme.

I am also pleased that during the year, the Commission formed an Ad-hoc committee that carried out a review of the Privatization legal framework. The recommendations that will soon be submitted to the National Treasury offer an opportunity to; amongst others; provide for succession planning at the Board level and streamline the privatization process of Government corporations domiciled in the counties. A comprehensive review of the Act though will be carried out by the Kenya Law Reform Commission in the next financial year.

Finally I would like to thank the Commission members whose term ended on 28th June for their dedication and hard work during their tenure. I salute the Government for the financing and support granted during the year and the other key stakeholders including the Parent Ministries and State Corporations under the Programme for their cooperation.



HON. (DR.) PAUL NYONGESA OTUOMA, EGH, MBS
CHAIRMAN OF THE PRIVATIZATION COMMISSION

REPORT OF THE CHIEF EXECUTIVE/EXECUTIVE DIRECTOR

The 2018/2019 financial year was, first and foremost, a learning point for me having joined the Commission on 1st November 2018. In the period under review, the Commission was able to achieve most of the objectives that had been set albeit the earlier Cabinet directive to hold all proposed privatizations in abeyance on account of State Owned Enterprise reforms. And following the review of the Cabinet decision early in the year, the Commission was able to progress other transactions significantly with work at various levels with transaction advisors on-boarded for the Public Sector Owned/Controlled sugar companies; Kenya Meat Commission, Agro-chemical and Food Corporation; Kenya Wine Agencies and TFC controlled/Associated Hotels. Management continued to undertake stakeholder engagement activities that included holding meetings with representatives of the media, the Sugar Task Force and the County Governments on diverse dates in the year.

In an effort to enhance its Quality Management Systems, Management completed the transition from ISO 9001:2008 to ISO 9001:2015 in September, 2018. A certificate to this effect was awarded by the Kenya Bureau of Standards Certification Body. This was a very taxing exercise with stringent timelines and I would like to thank the staff for their effort and cooperation during this time. And to ensure continuous improvement of its activities, the Commission commits itself to quality as a major operating priority with intent to ensure total customer satisfaction with its services through effective implementation of the Privatization Programme to enhance Kenya's productive Capacity.

Further, the Commission signed a Performance Contract with the Government of Kenya and, for what was within its purview – save for exogenous factors, achieved all the targets set. This was alongside completing all normal institutional activities that were carried out in the year. Additionally, the Commission reviewed its Strategic Plan in an effort to ensure that its 2018/2019 activities were aligned to the MTP III and incorporated the “Big Four” initiatives and other national priorities. From the review, it was noted that in spite of many external factors beyond the control of the Commission, the activities and initiatives that were necessary to meet agreed strategic objectives were substantially implemented. Strategic objectives that had not been fully met on account of exogenous factors were identified and mitigation measures proposed and which will now be addressed in the remaining period of the Plan. The Commission also reviewed the Risk Management framework and updated departmental risk registers.



JOSEPH KOSKEY
EXECUTIVE DIRECTOR/CEO

CORPORATE GOVERNANCE STATEMENT

Policy on Corporate Governance

The Commission's policy on corporate governance is enshrined in the Commission's Charter developed in 2016. The corporate governance structure aims at ensuring that the Commission's internal systems, which include policies, procedures, processes and people, serve the interests of the stakeholders and the communities within which we operate. The Commission Board is committed to ensuring that the organization's operations are run in a professional, transparent, just and equitable manner for the benefit of its stakeholders including the Kenyan public.

Commission Charter

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

Composition of the Commission Board

In compliance with Regulation 1.1(5) of *Mwongozo*, the Commission's Board comprises of eleven (11) members possessing a balanced mix of skills, knowledge and experience to enable the Commission achieve its mandate. Appointments to the Board are carried out pursuant to the Privatization Act. The Chairperson is appointed by the President of the Republic of Kenya while the Members of the Commission are appointed by the Cabinet Secretary, National Treasury following approval by the National Assembly. Hon. Dr. Paul Otuoma, EGH was appointed as the Chairman on 19th December, 2018 to replace Hon. Henry Obwocha who passed away on 4th August, 2018.

The Commission members were appointed on 29th June 2016 and their term came to an end on 28th June 2019. In order to ensure business continuity and avoid operational gaps, it is recommended that the appointment of Board members be staggered.

The Board is in compliance with Article 27 of the Constitution and the *Mwongozo Code* in respect to the two thirds gender rule. Out of the 11 members in the Board; 4 are women and 7 are men.

The Commission comprises the following Board Committees with specific terms of reference and operations to guide their operations:

- i. **The Finance and Strategy Committee** assists the Commission Board in discharging its oversight duties with respect to the financial matters of the organization, overall strategic direction of the organization, operational, procurement, performance contracting and organizational health. It comprises five (5) Commission members including:
 - a) Mr. John Tito (Chairman);
 - b) Amb. Boaz Mbaya;

- c) Mr. Wilfred Sang;
 - d) Ms. Beatrice Gathirwa (Rep. National Treasury); and
 - e) The ED/CEO.
- ii. The Audit Committee** assists in enhancing internal controls in order to improve efficiency, transparency and accountability. It comprises five Commission members, including:
- a) Mr. Mohamed Suraw (Chairman);
 - b) Mr. John Boru Halake;
 - c) Ms. Sharon Irungu (Rep. Attorney General); and
 - d) Ms. Beatrice Gathirwa (Rep. National Treasury).
- iii. The Human Resources & Risk Management Committee (HRRMC)** considers all matters associated with the policies and practices of the organization in relation to its human resources and risk management matters. It comprises five Commission members; including:
- a) Ms. Zipporah Mukoruru (Chairperson);
 - b) Amb. Boaz Mbaya;
 - c) Ms. Sharon Irungu (Rep. Attorney General);
 - d) Ms. Beatrice Gathirwa (Rep. National Treasury); and
 - e) The ED/CEO.
- iv. Privatization Steering Committees (PSCs)** monitor transactions to ensure their integrity. Membership of the Privatization Steering Committees consist of 7-8 members each.

Meetings

The meetings of the Board are held quarterly and on need basis. Commission business is also transacted through Steering Committee meetings as necessary. The Board, from time to time, holds consultative meetings with the National Government, the Board and Management of the entities being privatized and other stakeholders in order to seek views on matters relating to the various privatization transactions. The Board's work plan and calendar of meetings is prepared in advance. Adequate notice is given for meetings and the agenda and board papers are circulated in good time.

Commission Board Committees meetings held during the year:

S/ NO.	TYPE OF MEETING	NUMBER OF MEETINGS (REGULAR)	NUMBER OF MEETINGS (SPECIAL)	TOTAL MEETINGS HELD DURING THE YEAR
1.	Transactions/Steering Committee meetings	32	3	35
2	Finance and Strategy Committee	11	3	14
3.	Human Resource and Risk Management	8	22	30
4.	Commission Board Meeting	16	19	35
5.	Audit Committee	7	3	10
6.	Adhoc Committees	19	0	19
7.	Other Meetings	18	5	23
TOTAL		91	48	166

Commission Board and Committees meetings attended by each Member

S/NO.	NAME	TYPE OF MEETING						TOTAL
		PSC	F&SC	HRRMC	AC	ADHOC	BOARD	
1	Hon. Henry Obwocha	2	1	10	0	17	31	61
2	Hon. Dr. Paul Nyongesa Otuoma, EGH, MBS	0	0	0	0	4	10	14
3	Amb. Boaz Kidiga Mbaya	16	12	30	0	21	34	113
4	Ms. Faith J. Bett-Boinet	0	0	0	0	0	4	4
5	Mr. John Joseph Tito	14	14	9	0	11	27	75
6	Ms. Zipporah Mukoruru	18	2	30	0	22	33	105
7	Mr. Mohamed Suraw Issak	16	0	7	9	4	27	63
8	Mr. John Boru Sosso Halake	18	1	10	8	4	33	74
9	Mr. Wilfred Kipkorir A. Sang	19	14	6	0	4	23	55
10	Mrs. Beatrice Gathirwa (Alt. CS, National Treasury)	14	11	26	8	14	24	89
11	Mrs. Sharon Irungu - Asiyo (Alt. to the Attorney General)	14	0	22	5	1	23	65
12	*Mr. Ashley Toywa (Rep Attorney General)	6	0	6	4	0	4	20
13	Ms. Jacqueline Muindi (Ag. Executive Director/ CEO)	13	8	18	1	0	15	55
14	Mr. Joseph Koskey (Executive Director/CEO)	14	2	2	1	8	7	34

*Ashley Toywa substituted the substantive alternate member of the Office of the Attorney General in the meetings set out above.

Commission Board's Responsibilities

The Board's responsibilities are set out in the Commission's Board Charter. The Commission Charter which incorporates internationally accepted best practices in corporate governance, defines the governance parameters within which the Commission exists and operates and sets out specific responsibilities to be discharged by the Commission, its Committees and members collectively as well as certain roles and responsibilities incumbent upon directors as individuals.

The Board's responsibilities include amongst others:

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

Further to enable the Board discharge its obligation effectively, the Commission engages the services of external experts to advise the Board on various issues. Through the Steering Committees established under Section 27 of the Privatization Act, the Board is able to obtain advice from experts in relation to privatization projects.

Code of Ethics

The Commission takes cognizance that good corporate governance is a key contributor to the Commission's overall long term success. This is achieved by instilling the culture of adhering to high standard of ethics in the organization. The Commission has a Code of Ethics that applies to the Board, Management and all other employees. In ensuring compliance, the Code is distributed to each Board member, manager, and all the employees.

Whistle Blowing Policy

The Commission has a whistle blowing portal that helps management to be informed at an early stage about suspected fraudulent, immoral, unethical or malicious activities or misconduct and take appropriate actions that will deter and prevent such activities. Further the Commission has

a whistle blowing policy that is accessible on its website and a hotline number specifically for forwarding complaints relating to unethical conduct.

Board Remuneration

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

Board Induction

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

Board Evaluation

Board evaluation is key in assessing the performance, efficiency and effectiveness of a Board. The Commission undertakes regular annual performance evaluation of its Board to enable it to review its strategies to ensure continuous growth and sustainability.

The evaluation exercise is conducted by the State Corporations Advisory Committee (SCAC). In the previous review, the Board obtained an average score of 90.6%. To enhance skills of the Board, the Commission facilitates the Board members to attend strategic and corporate governance trainings that will positively contribute to their performance.

Statutory Compliance Audit

Internal Statutory Compliance is usually carried out on a quarterly basis. The Board is always informed of Commission's compliance level in relation to statutory obligations. The Board also approves the quarterly report which is submitted to the State Corporation Advisory Committee and the National Treasury. In addition, the Commission also engages an external legal compliance auditor to conduct Statutory Compliance Audit. In FY 2017/2018 the Commission engaged the services of Kenya School of Law for this.

Conflict of Interest, Disclosure and Purchase of Shares

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

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

The conflict of interest policy together with the Board Charter which set out the requirements are available in the Commission's website www.pc.go.ke

Sustainability Reporting

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Privatization Commission's Operational and Financial Performance

In respect to the core mandate, the Commission carried out the following activities:

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

Following the signing of the contract for transaction advisory services on 14th March, 2019, a kick off meeting was held on 2nd May 2019. The draft inception report for KMC was received on 25th June 2019 for review. The report for KWAL was still under process.

ii. Tourism Finance Corporation (associated and controlled hotels)

The Industry Overview and Market Analysis, Financial Due Diligence, Legal Due Diligence and Fixed Asset Valuation reports were received from the Transaction Advisors. The reports were considered by the Privatization Steering Committees at their meetings held on 25th June 2019. The reports now await consideration by the Commission to pave way for the next steps.

iii. Public Sector Owned/Controlled Sugar Companies and Agro-Chemical and Food Company

Advertisements for transaction advisory services for the updating of the due diligence work and implementation of the transactions were made on 23rd April 2019. Evaluation of the bids was completed and the contracts are being reviewed by the respective consultants with a view to sign and pave way for a kick off meetings.

iv. Procurement of Research Services

Request for Proposal was re-advertised on 19th March 2019 and closed on 4th April 2019. Evaluation of the bids was concluded and the contract awarded. The consultants sent the draft inception report on 17th June 2019, and a Technical Committee meeting held on 19th June 2019, where the report was considered and approved. The Final Inception Report was received on 24th June 2019.

v. Stakeholder Engagement

The Commission hosted or took part in various stakeholder meetings as indicated below:

- a. The Commission presented a report on privatization to the Sugar Task Force on 14th January 2019 in Kisumu;
- b. Further, the Commission was part of the guests invited by the Sugar Task Force to a Stakeholders' Meeting held on 15th January 2019 at Grand Royal Swiss Hotel in Kisumu;
- c. On 22nd February 2019, the Commission hosted an Editors' Breakfast for senior editors and reporters to deliberate on possible areas of partnership and positive media coverage;
- d. There was another meeting held on 6th March 2019 at AFA and 11th March at Capitol Hill;
- e. The Commission Chairman held stakeholders consultation by visiting Miwani, Chemelil Sugar and SONY sugar on 19th, 20th and 21st March 2019 respectively;
- f. On 4th April 2019, the Commission hosted elected leaders from Bungoma County for a discussion on the privatization of Nzoia Sugar Company Limited; and
- g. The Commission Chairman toured the Public Sector Hotels; both TFC-controlled and TFC-

associated; in the Western and Central regions of the country between 8th and 12th May 2019, and those in the Coastal region from 14th to 16th May 2019.

vi. Talent Management

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

In the effort to transform its talent management, the Commission reviewed its HR instruments and the same were approved by the SCAC and implementation is on-going. The review among others included an expansion of the functional areas that did not have a clear provision for upward mobility. Based on the foregoing, the optimal staff establishment has been revised to sixty-three (63) up from forty-two (42). Additionally, during the year, human resource interventions geared towards managing existing talent and recruiting new talent were deployed and this brought about longer contract tenures (from three year to five year contracts) for PC 3 and 4 and all employees in grades below PC 4 converting to permanent and pensionable terms. This has resulted in improved work morale for staff.

The Commission actualized the Presidential directive for internship and attachment programmes with the aim of building capacity of youth in the labour market. Towards this, the Commission recruited six (6) young graduates below the age of twenty-five (25) years into the programme.

In its effort to enhance employees' welfare, the Commission promotes employee well-being at the workplace by providing services and benefits that not only motivate them but also enhance their productivity. These include the provision of a staff medical scheme, Group Personal Accident cover (24 hours), Group Life, an annual employee wellness program, and a Mortgage and Car loan scheme. Additionally, it operates a gratuity scheme for its employees on contract terms of employment, the amounts which are accumulated and given in lump sum at the end of each contract period.

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

a. Environmental Sustainability

The Commission remains committed to environmental protection and sustainability. In this regard, we always participate in activities that contribute towards the conservation of our ecosystem as guided by the Commission's Environmental Policy.

Some of the activities include tree planting initiatives; donation of tree seedlings and environmental clean-ups, reduction of printing where necessary, use of segregates waste bins and energy saving bulbs.

b. Sustainability Strategy

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

c. Environmental Performance

Environmental Sustainability is one of the pillars in the CSR Policy aside from being the subject of a Presidential directive. While launching the National Tree Planting Day on 11th May 2018, H.E. the President of Kenya directed all parastatals to plant trees as part of CSR. The President further directed that all parastatals should allocate 10% of their CSR budget for tree seedlings that will then be distributed to Kenyans across the country so as to achieve a 10% forest cover by 2022. The Commission therefore set aside Kshs.100,000 which was used to purchase 1,430 tree seedlings which the Commission staff planted at Hombe Forest in the Mt. Kenya eco-system on 9th November 2018.

d. Employee Welfare

The Commission has developed and implemented various policies that act as a guideline when handling employee welfare issues. Some of these policies include:

- i. Disability Mainstreaming Workplace Policy;
- ii. Alcohol and Substance Abuse Workplace Policy;
- iii. Occupational Safety and Health Workplace Policy; and
- iv. Gender Mainstreaming Workplace Policy.

Additionally, the Commission continues to ensure that there is a conducive working environment for the staff.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Privatization Commission's affairs.

Principal Activities

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

Results

The results of the entity for the year ended June 30, 2019 are set out on page 1

Directors

The members of the Board of Directors who served during the year are shown on page vi.

Dividends/Surplus Remission

The entity did not make any surplus during the year 2018-19 and hence no remittance to the Consolidated Fund.

Auditors

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

By Order of the Board



Joseph Koskey
EXECUTIVE DIRECTOR/CEO

STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Directors are responsible for the preparation and presentation of the Privatization Commission's financial statements, which give a true and fair view of the state of affairs of the Privatization Commission for and as at the end of the financial year (period) ended on June 30, 2019.

This responsibility includes:

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

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

The Directors are of the opinion that the Privatization Commission's financial statements give a true and fair view of the state of Privatization Commission's transactions during the financial year ended June 30, 2019, and of the Privatization Commission's financial position as at that date.

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

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

Approval of the Financial Statements

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

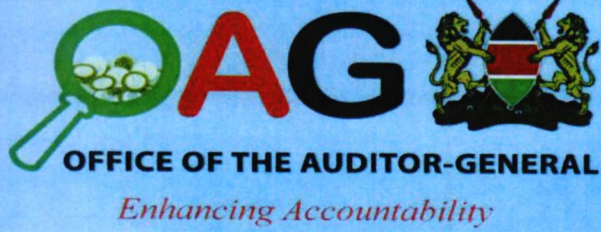


Hon. (Dr.) Paul Nyongesa Otuoma EGH MBS
Chairman, Privatization Commission



Mr. Joseph Koskey
Executive Director /CEO

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

PRIVATIZATION COMMISSION

**FOR THE YEAR ENDED
30 JUNE, 2019**

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON PRIVATIZATION COMMISSION FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Privatization Commission set out on pages 1 to 40 which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects the financial position of Privatization Commission as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Privatization Act, 2005 of the Laws of Kenya.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Budget Control and Performance

As reflected in the statement of comparison of budget and actual amounts, the Commission spent Kshs.229,819,140 against an approved budget of Kshs.1,012,782,300

Report of the Auditor-General on Privatization Commission for the year ended 30 June, 2019

resulting to an under-expenditure of Kshs.786,383,160 or 77% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Procurement of Conference Facilities

During the year under review, the Commission procured conferencing facilities for various meetings. However, the services were procured from providers who were not in the list of the Commission's registered suppliers contrary to Section 57(1) of the Public Procurement and Asset Disposal Act, 2015 which requires that the Head of the Procurement Function of a procuring entity to maintain and update lists of registered suppliers, contractors and consultants in the category of goods, works or services according to its procurement needs. The basis for identifying the service providers contracted could therefore, not be established.

The Commission is in breach of law to this extent.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Debtors Policy

During the financial year under review, the Commission did not have a Debtors' Management Policy in place. The debtors increased by Kshs.874,985 from

Kshs.1,274,393 reported in 2017/2018 to Kshs.2,149,378 as at 30 June, 2019 due to lack of a consistent approach for debt collection.

2. Effectiveness of Audit Committee

During the year under review, the Audit Committee of the Board had eight (8) out of the planned ten (10) sittings. However, there is no evidence of internal audit reports having been deliberated on and adopted. In absence of an effective Audit Committee, the Commission's risks relating to governance and controls are therefore not prioritized and appropriate mitigating measures have not been put in place.

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

Responsibilities of Management and The Board of Directors

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

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

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

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


 Nancy Gathungu
AUDITOR-GENERAL

Nairobi

12 March, 2021

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2018-2019	2017-2018
		KShs.	KShs.
Revenue from Non-Exchange Transactions			
Transfer from Ministries, Departments and Agencies	6	201,880,000	220,000,000
Revenue from Exchange Transactions			
Finance Income – external investments	7	67,369,932	74,381,459
Other Income	8	224,282	46,100
Total Revenue		269,474,214	294,427,559
Expenses			
Employee costs	9	106,186,609	118,126,803
Remuneration of directors	10	28,064,684	42,690,841
Outsourced services	11	6,104,234	13,212,417
Transaction costs	12	35,667,975	28,231,549
Depreciation & Amortization expenses	13	503,330	5,662,701
Repairs and maintenance	14	2,487,215	1,540,604
General Expenses	15	51,308,423	79,877,177
Total Expenses		230,322,470	289,342,092
Surplus for the Year		39,151,744	5,085,467
Other Comprehensive Income			
Revaluation reserve		(6,557,746)	5,620,000
Total Comprehensive Income		32,593,998	10,705,467

The notes set out on pages 6 to 29 form an integral part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2018-2019 KShs.	2017-2018 KShs.
ASSETS			
Current Assets			
Cash and Cash Equivalents	16	205,938,677	374,084,417
Receivables from Non exchange Transactions	17	2,149,378	874,985
Inventories	18	633,961	1,674,354
Investments	19	700,000,000	500,000,000
Total Current Assets		908,722,016	876,633,756
Non- Current assets			
Property, Plant and Equipment	20	18,607,942	20,135,964
Intangible Assets	21	1,006,660	
Total Non- current Assets		19,614,602	20,135,964
Total Assets		928,336,618	896,769,720
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	22	16,955,920	25,205,356
Current Provisions	23	66,547,092	59,324,756
Total Current Liabilities		83,503,012	84,530,112
Net Assets/Equity			
Revenue reserve	25	816,435,609	777,283,865
Revaluation Reserve		28,397,997	34,955,743
Total Net Assets/Equity	16	844,833,606	812,239,608
Total Net Assets and Liabilities		928,336,618	896,769,720

The Financial Statements set out on pages 1 to 38 were signed by:



Joseph Koskey
Executive Director/CEO

31st August 2019



Virginiah Kariuki
Head of Finance
ICPAK Member No. 3706

31st August 2019



Hon. (Dr.) Paul Nyongesa Otuoma EGH MBS
Chairman of the Board

31st August 2019

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Revenue Reserve	Revaluation Reserve	Total
	Kshs	Kshs	Kshs
Reserves as at 1st July 2017	772,198,398	29,335,743	801,534,141
Surplus for the year	5,085,467	0	5,085,467
Revaluation gain	0	5,620,000	5,620,000
30th June 2018	777,283,865	34,955,743	812,239,608
Reserves as at 1st July 2018	777,283,865	34,955,743	812,239,608
Surplus for the year	39,151,744	0	39,151,744
Revaluation gain	0	(6,557,746)	(6,557,746)
30th June 2019	816,435,609	28,397,997	844,833,606

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government Grants		201,880,000	220,000,000
Other revenue		67,594,214	74,427,559
Total Receipts		269,474,214	294,427,559
Payments			
Employee Costs		106,186,609	92,656,860
Remuneration of Directors		28,064,684	39,889,884
OUtsourced Services		6,104,234	13,212,417
Transaction Costs		35,667,975	30,606,113
Repairs and Maintenance		2,487,215	1,522,740
General Expenses		52,569,509	42,027,401
Total Payments		231,080,226	219,915,415
Net Cash Flows from Operating Activities	23	38,393,988	74,512,144
Cash Flows from Investing Activities			
Purchase of property , equipment and intangible assets		(6,539,728)	
Increase in investments		(200,000,000)	(500,000,000)
Net Cash Flows used in Investing Activities		(206,539,728)	(500,000,000)
Net Increase/(Decrease) in Cash and Cash Equivalents		168,145,740	(425,487,856)
Cash and Cash Equivalents at 1 st July 2018		374,084,417	799,572,273
Cash and Cash Equivalents at 30th June 2019		205,938,677	374,084,417

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	Notes
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Government Grants	206,000,000	(4,120,000)	201,880,000	201,880,000		a
Other revenue	60,000,000		60,000,000	67,594,214	7,594,214	b
Total Income	266,000,000	(4,120,000)	261,880,000	269,474,214	7,594,214	
Expenses						
Personnel Emoluments	228,165,300		228,165,300	106,186,609	121,978,691	c
Remuneration of Directors	30,000,000		30,000,000	28,064,684	1,935,316	d
Outsourced services	24,800,000	(1,000,000)	23,800,000	6,104,234	17,695,766	e
Transaction expenses	644,765,000	(4,120,000)	640,945,000	35,667,975	604,977,025	f
General expenses	84,972,000	600,000	85,572,000	51,308,423	34,263,577	g
Repairs and maintenance	4,300,000		4,300,000	2,487,215	1,812,785	h
Total Expenditure	1,017,002,300		1,016,202,300	229,819,140	782,663,160	
Surplus for the Period	67,103,393	(4,120,000)	67,103,393	39,655,074		

Explanation of Material Variances

a. Budget Variance

The budget was reduced during the supplementary budget.

The budget reduction in transaction expenses was meant to finance the deficit.

b. Other Revenue

Low utilization of funds triggered increased investments hence high returns.

The low utilization was due to delayed implementation of transactions.

c. Personnel Emoluments

The budget variance was caused by the HR instruments being approved for implementation by the National Treasury in June 2019. There was also a delay in the appointment of the ED/CEO and Internal Auditor. The Commission is still waiting for approval to replace critical staff who exited.

d. Directors' Remuneration

The expenditure is within the budget allocation.

e. Outsourced Services

Projected outsourcing of catering and security services started in Q4 instead of Q1 as budgeted

f. Transaction Expenses

The low utilization was due to delayed implementation of transactions. Recruitment of PR Consultant was concluded in June 2019 and so far, no expenditure has been incurred due to the consultancy work being restricted to the privatization of the PSOCSC whose implementation is yet to commence. Prolonged stakeholders' engagements to resolve outstanding issues that have delayed implementation of privatization of 5 public Owned /controlled Sugar Companies and the Cabinet directive holding in abeyance some transactions in the Privatization Programme further contributed to the low funds utilization.

g. Administrative Expenses

Some promotional materials budgeted for in this FY could not be procured due to late delivery of other branded items ordered in the last FY which served the same purpose.

The rent was not utilized as the planned move to offices with more spacious offices did not happen as bids were non-responsive.

The Commission had scheduled to build a class-room in the Miwani Sugar Belt but due to the issues surrounding the privatization of the PSOCSC, the project was put on hold.

The planned move to new offices would have influenced purchase of new office equipment that would have been insured. The move did not happen and as such no new equipment purchased.

h. Repairs and Maintenance

Procurement of most of the repairs and maintenance is ongoing.

Reconciliation of Surplus Funds as per Budget to Cash from Operating Activities

	KShs.
Surplus for the period	39,655,074
Adjustments for;	
Depreciation and amortization	503,330
Cash Generated from Operating Activities	39,151,744

Reconciliation of Revenue

	KShs.
Revenue as per budget statement	269,474,214
Revenue as per the financial performance	269,474,214

Reconciliation of Expenditure

	KShs.
Expenditure as per budget statement	229,819,140
Add back depreciation & amortization	503,330
Expenditure as per the financial performance	230,322,470

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Privatization Commission's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

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>The standard is not applicable to Privatization Commission.</p>

NOTES TO THE FINANCIAL STATEMENTS

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective Date and Impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>Privatization Commission will adopt the standard effective 1st January 2022</p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p>Privatization Commission does not operate a pension fund and therefore the standard is not applicable.</p>

iii. Early Adoption of Standards

Privatization Commission did not adopt any new or amended standards in year 2019.

NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from Non-Exchange Transactions Transfers from Other Government Entities

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

ii) Revenue from Exchange Transactions Interest Income

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

b) Budget Information

The original budget for FY 2018-2019 was approved by the National Assembly 26th September 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

c) Taxes

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

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

d) Property, Plant and Equipment

All property, plant and equipment are stated at revaluation less accumulated depreciation and impairment losses. The amount 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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

The annual depreciation rates in use are:

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

e) Intangible Assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

f) Inventories

Inventory is measured at lower of cost or net replacement costs. To the extent that inventory was received through non- exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value.

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

g) Provisions

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

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

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

Contingent Liabilities

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

Contingent Assets

The Commission does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an 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.

h) Nature and Purpose of Reserves

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

Revenue Reserves

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

NOTES TO THE FINANCIAL STATEMENTS

Revaluation Reserves

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

i) Changes in Accounting Policies and Estimates

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

j) Employee Benefits

The Commission does not have a retirement benefit plan. All Commission staff are on 3-5 years contract. Gratuity to the staff is payable to the staff after the end of contract period. Entitlements to gratuity are recognized when they accrue to employees. The provisions have been treated as a current liability.

k) Foreign Currency Transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l) Related Parties

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

m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to 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

n) Comparative Figures

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

o) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and Assumptions

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

b) Useful Lives and Residual Values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 23.

Provisions are measured at the management's best estimate of the expenditure required

NOTES TO THE FINANCIAL STATEMENTS

to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The provision amount relates to unpaid gratuity, salary, and ongoing contracts which relate to 2018/19 financial year.

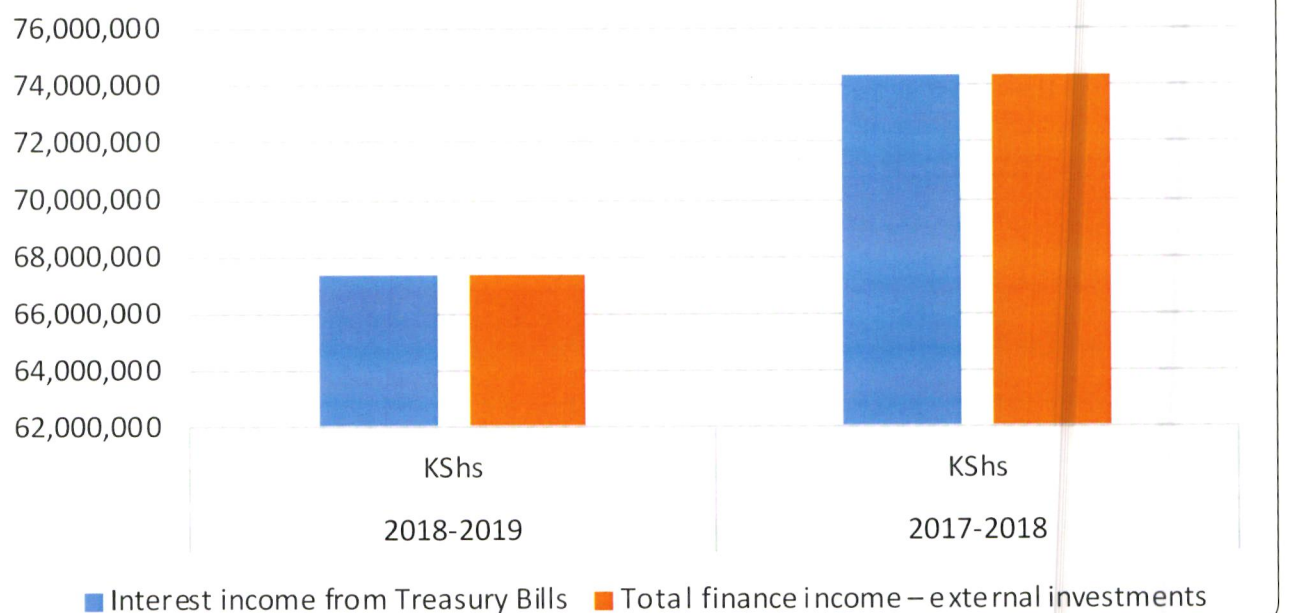
6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognized in capital fund	Total grant income during the year	2018-2019
	Kshs	Kshs	Kshs	Kshs	Kshs
The National Treasury	201,880,000	0	0	201,880,000	201,880,000
Total	201,880,000	0	0	201,880,000	201,880,000

7. FINANCE INCOME - EXTERNAL INVESTMENTS

Description	2018-2019	2017-2018
	KShs	KShs
Interest income from Treasury Bills	67,369,932	74,381,459
Total finance income – external investments	67,369,932	74,381,459

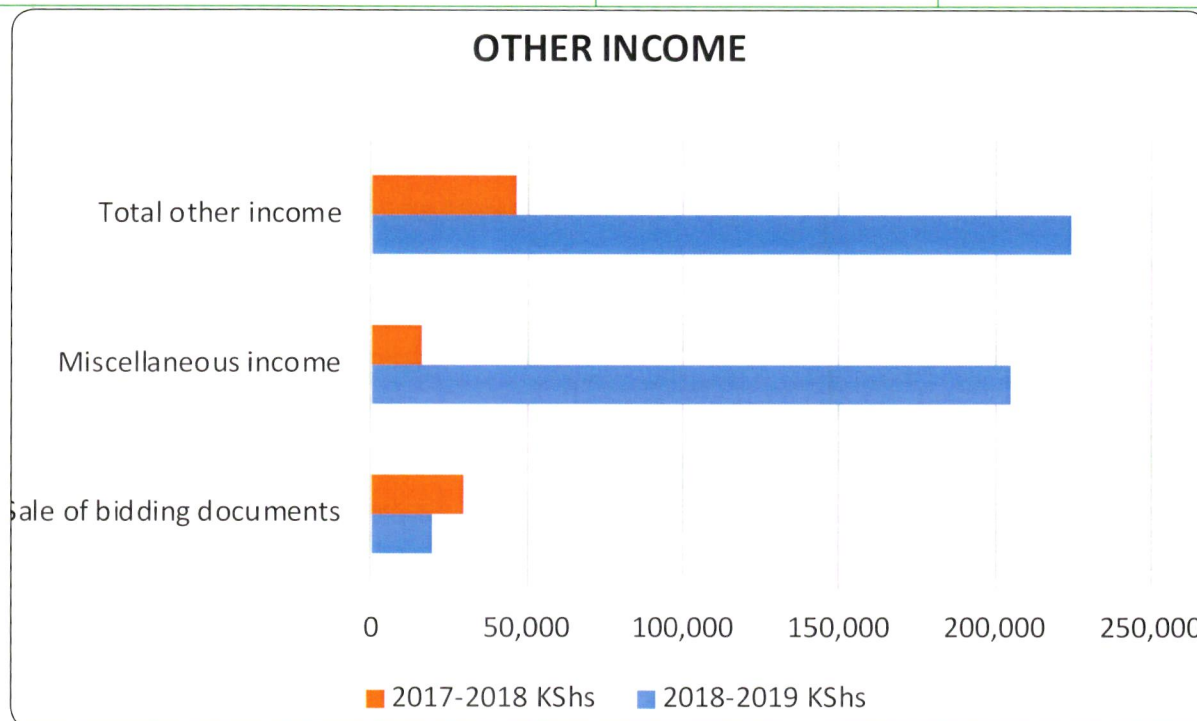
FINANCE INCOME - EXTERNAL INVESTMENTS



NOTES TO THE FINANCIAL STATEMENTS

8. OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Sale of bidding documents	19,798	30,000
Miscellaneous income	204,484	16,100
Total other income	224,282	46,100



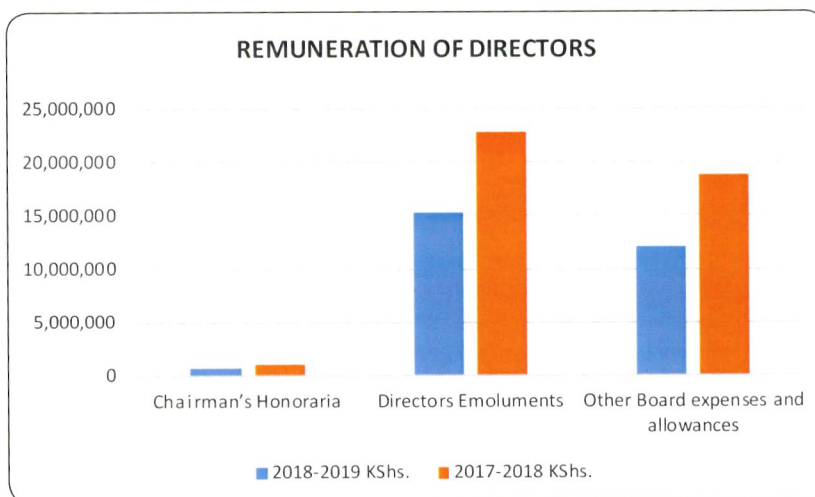
9. EMPLOYEE COSTS

	2018-2019	2017-2018
	Kshs	Kshs
Basic salaries	61,145,343	67,232,845
Casuals/Temporary Employees	590,669	263,952
House allowance	10,584,425	12,119,220
Remunerative allowance	800,000	300,000
Responsibility allowance	243,001	294,000
Acting/Special duty Allowance	1,089,392	956,082
Leave allowance	1,582,484	3,211,573
Gratuity	19,515,050	21,734,264
Telephone allowance	192,000	0
Commuter Allowance	2,819,788	3,448,754
Employer contribution to NSSF	72,600	78,200
Medical Scheme	7,551,857	8,487,913
Total	106,186,609	118,126,803

NOTES TO THE FINANCIAL STATEMENTS

10. REMUNERATION OF DIRECTORS

	2018-2019	2017-2018
	KShs.	KShs.
Chairman's Honoraria	639,871	1,044,000
Directors Emoluments	15,270,000	22,900,000
Other Board expenses and allowances	12,154,813	18,746,841
Total	28,064,684	42,690,841



Individual payment to the Commission Members was as follows:

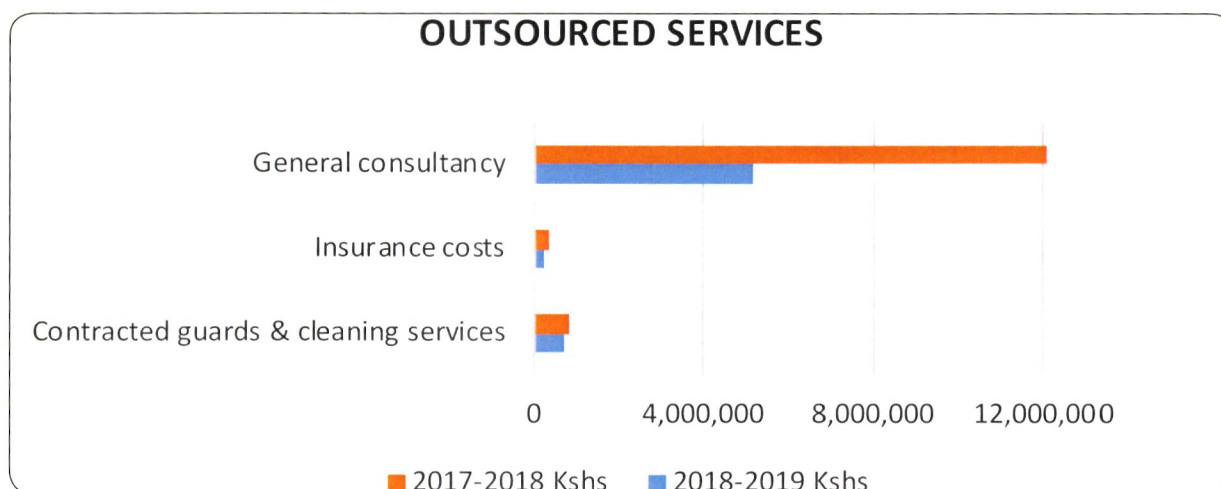
Commission Member	Amount Earned (Kshs)
Hon. Henry Obwocha	231,752
Hon. Dr. Paul Nyongesa Otuoma EGH MBS	1,603,563
Mohamed Suraw	2,420,000
Wilfred Sang	1,440,000
Faith Bett	697,000
John B.S. Halake	1,282,000
John Tito	1,380,000
Amb. Boaz K. Mbaya	2,000,000
Zipporah Mukoruru	3,702,124
Beatrice Gathirwa (Rep. PS National Treasury)	1,120,000
Sharon Irungu-Asiyo (Rep. Attorney General)	1,182,000
Ashleys Towya (Rep. Attorney General)	100,000
Isaack Ondek (Inspectorate of State Corporation)	460,000
Chris Ombeta (SCAC)	80,000
Christine Minyasi (SCAC)	40,000
Jane Gichimu (SCAC)	40,000
	17,778,439

The Board expenses includes cost for both the normal Board work and the transaction work which includes participating in transaction Steering Committee meetings as required by the Privatization Act.

NOTES TO THE FINANCIAL STATEMENTS

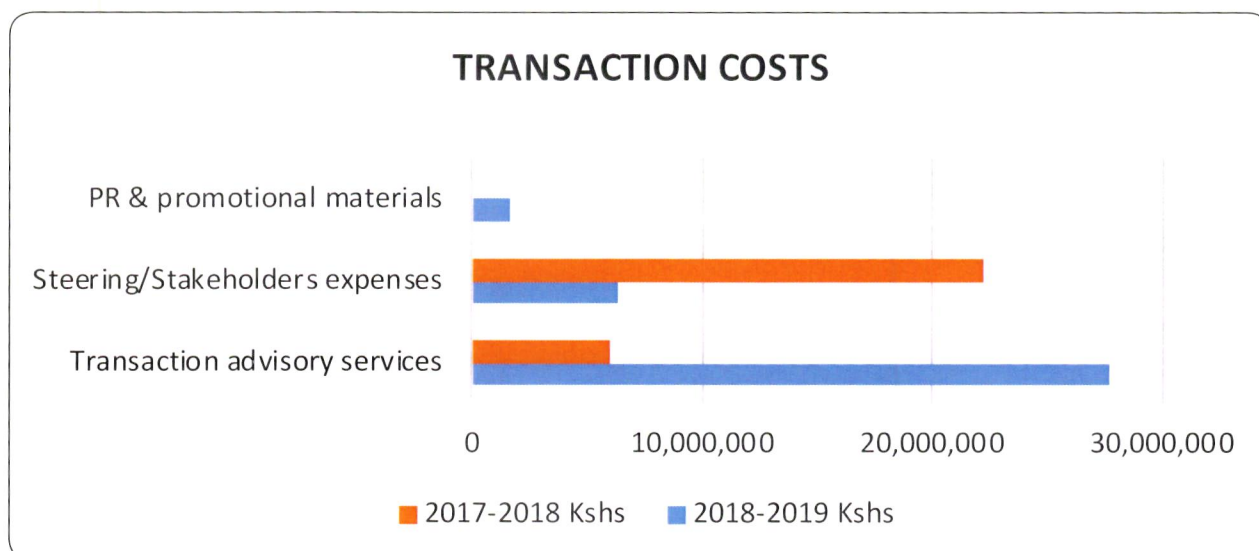
11. OUTSOURCED SERVICES

	2018-2019	2017-2018
	Kshs	Kshs
Contracted guards & cleaning services	703,125	820,469
Insurance costs	236,335	337,076
General consultancy	5,164,774	12,054,872
Total	6,104,234	13,212,417



12. TRANSACTION COSTS

	2018-2019	2017-2018
	Kshs	Kshs
Transaction advisory services	27,697,764	5,972,188
Steering/Stakeholders expenses	6,346,211	22,259,361
PR & promotional materials	1,624,000	0
Total	35,667,975	28,231,549

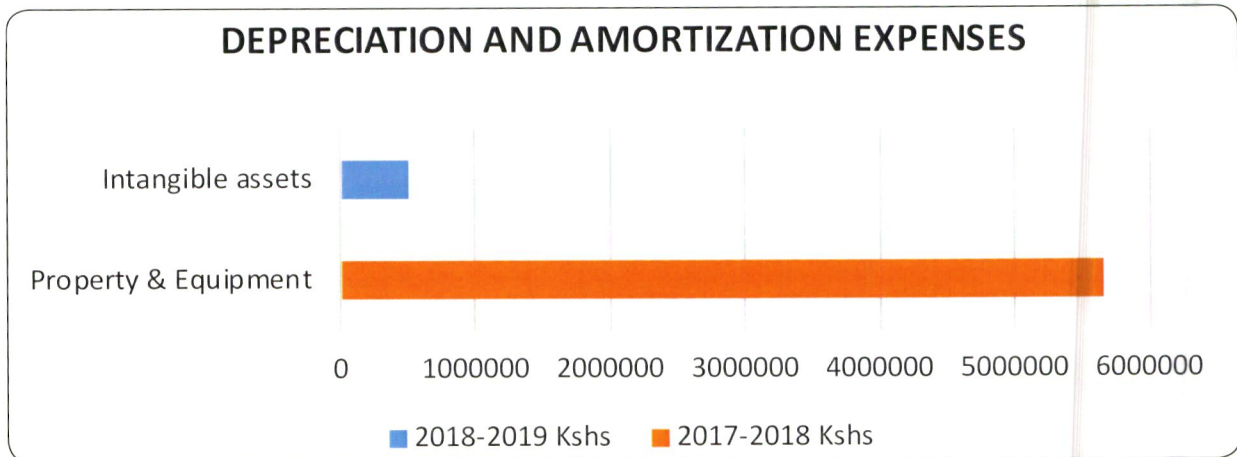


NOTES TO THE FINANCIAL STATEMENTS

The Transaction cost refers to the cost of hiring Transaction Advisory Services. Part of the funds brought forward amounting to Kshs.644Million that were directly related to Transaction cost were not fully utilized due to delay in the approval of detailed Privatization Proposals hence the related deliverables and payments. The unutilized balance is reflected in the surplus for the year and is carried forward and held in the Cash and Bank balances.

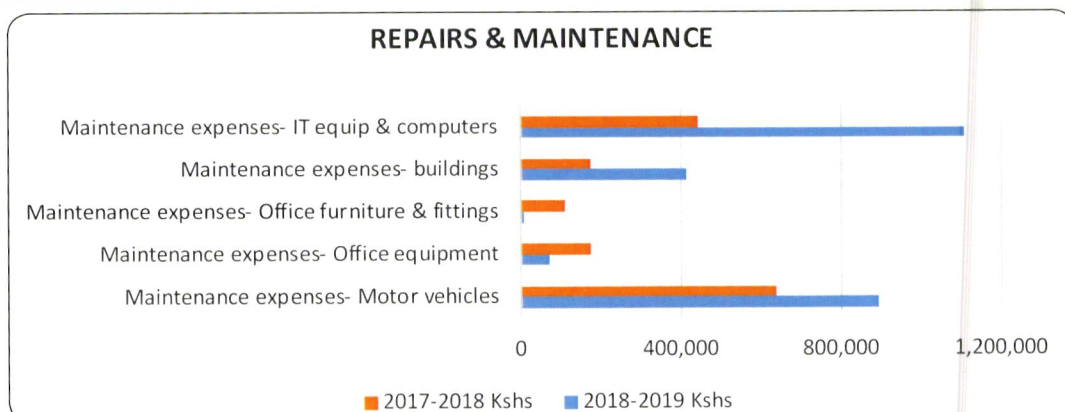
13. DEPRECIATION AND AMORTIZATION EXPENSES

	2018-2019	2017-2018
	Kshs	Kshs
Property & Equipment	0	5,662,701
Intangible assets	503,330	0
Total	503,330	5,662,701



14. REPAIRS & MAINTENANCE

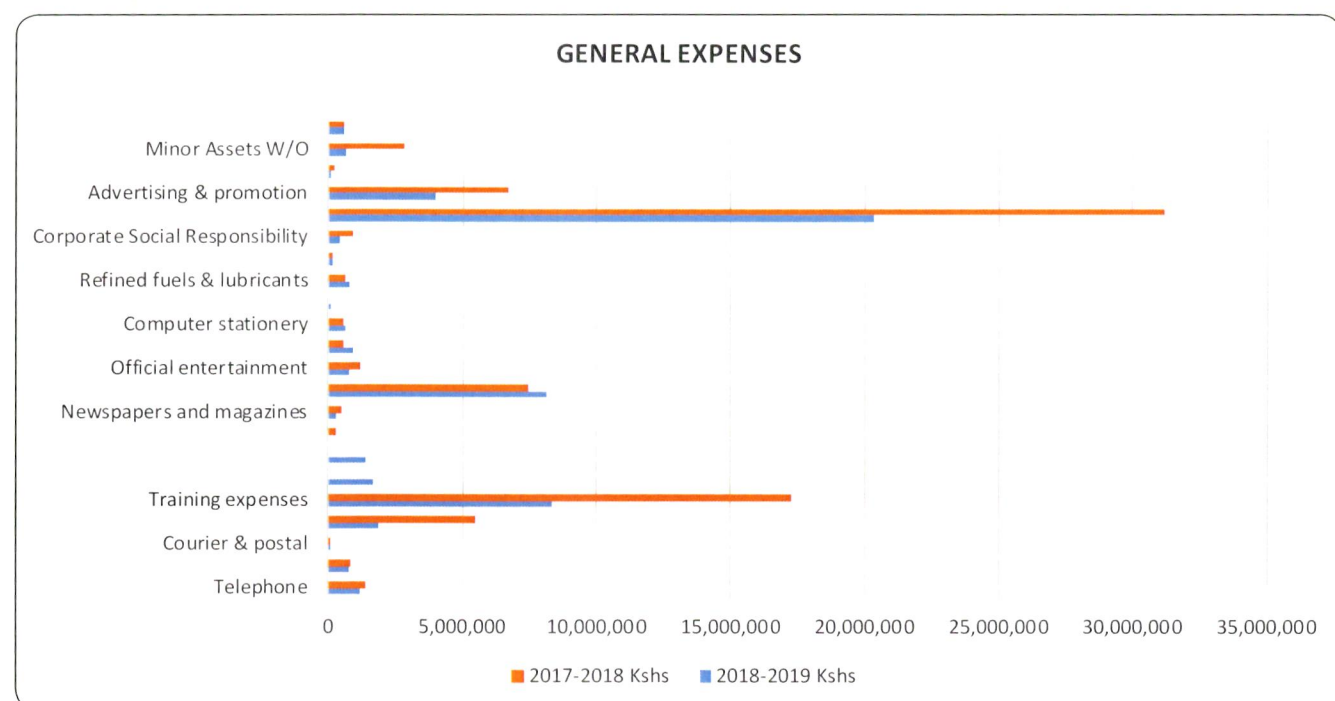
	2018-2019	2017-2018
	Kshs	Kshs
Maintenance expenses- Motor vehicles	891,469	636,143
Maintenance expenses- Office equipment	70,064	175,856
Maintenance expenses- Office furniture & fittings	7,700	109,880
Maintenance expenses- buildings	411,516	175,848
Maintenance expenses- IT equip & computers	1,106,466	442,877
Total	2,487,215	1,540,604



NOTES TO THE FINANCIAL STATEMENTS

15. GENERAL EXPENSES

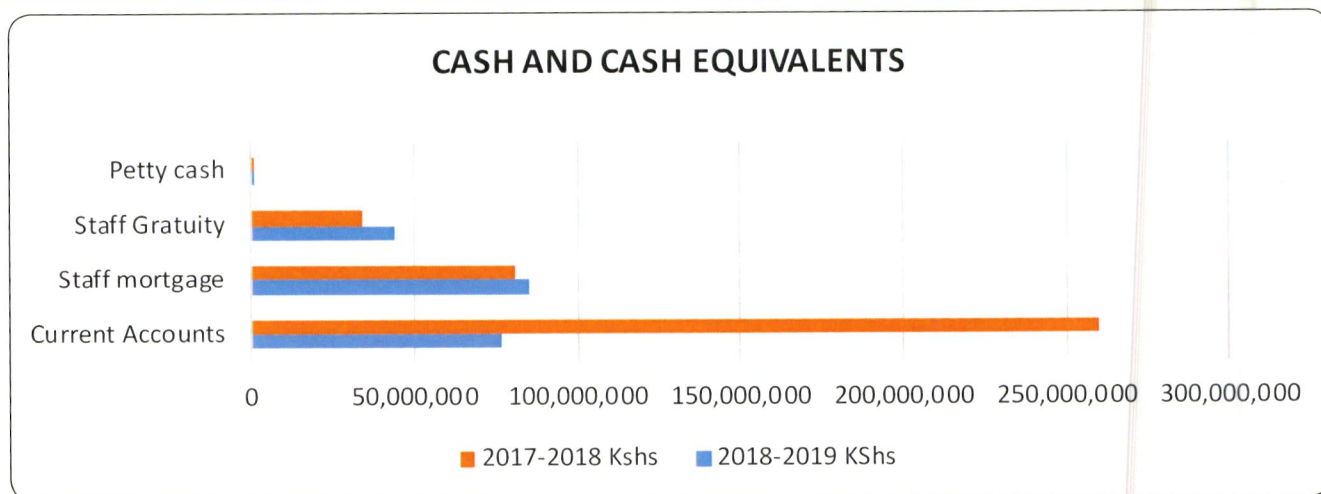
Description	2018-2019	2017-2018
	Kshs	Kshs
Telephone	1,176,611	1,398,549
Internet connections	748,287	810,423
Courier & postal	14,460	34,885
Domestic travel & accommodation	1,839,614	5,437,406
Training expenses	8,334,666	17,254,009
Welfare	1,656,976	1,395,301
Uniforms	0	243,165
Newspapers and magazines	259,607	460,239
Rent & rates- non residential	8,115,939	7,445,222
Official entertainment	768,423	1,162,692
General office supplies	874,316	551,010
Computer stationery	632,763	553,407
Detergents	63,232	0
Refined fuels & lubricants	761,679	587,835
Bank service commission and charges	122,290	157,653
Corporate Social Responsibility	401,920	924,000
Withholding tax	20,341,259	31,207,220
Advertising & promotion	3,943,648	6,680,270
Publishing and printing	85,118	209,610
Minor Assets W/O	587,615	2,784,281
Audit fees	580,000	580,000
Total	51,308,423	79,877,177



NOTES TO THE FINANCIAL STATEMENTS

16. CASH AND CASH EQUIVALENTS

Description	2018-2019	2017-2018
	KShs	Kshs
Current Accounts	76,507,053	259,617,970
Staff mortgage	84,796,353	80,572,993
Staff Gratuity	44,436,985	33,869,053
Petty cash	198,286	24,401
Total	205,938,677	374,084,417



16.(a) CASH AND CASH EQUIVALENTS

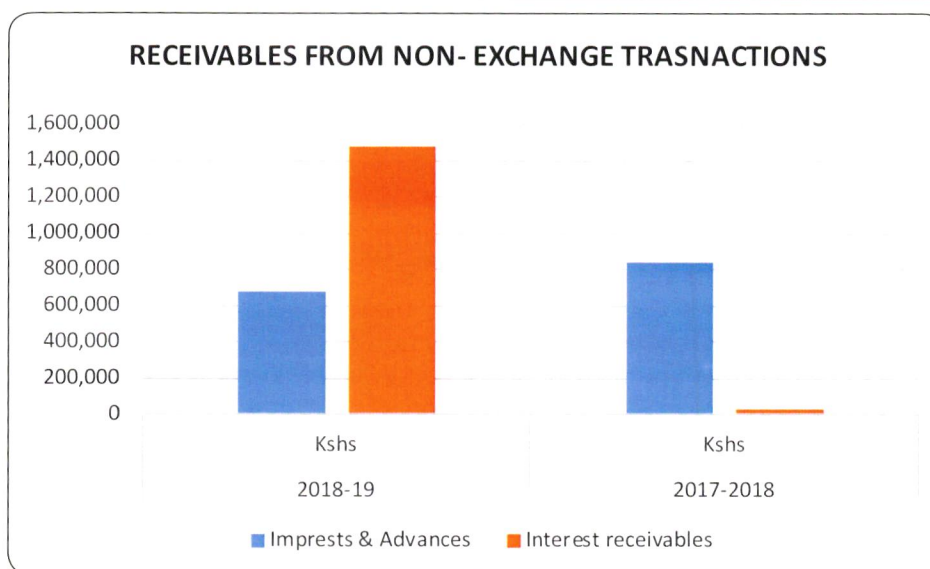
No.	Financial Institutions/Banks	Account No	2018-2019 Kshs	2017-2018 Kshs
A)	Current Account			
	Co-operative Bank	0114118908900	15,777,476	257,219,511
	KCB	1104820730	60,729,577	2,398,459
B)	Staff Car Loan/Mortgage			
	HFC	2299583401-0	84,796,353	80,572,993
C)	Savings Account			
	KCB- KICC	1223199975	44,436,985	33,869,053
E)	Others			
	Cash-on-hand and in transit	Cashbox	198,286	24,401
	Total		205,938,677	374,084,417

Components of Cash and cash equivalents are not restricted.

NOTES TO THE FINANCIAL STATEMENTS

17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2018-19	2017-2018
	Kshs	Kshs
Imprests & Advances	674,791	841,379
Interest receivables	1,474,587	33,606
Total	2,149,378	874,985

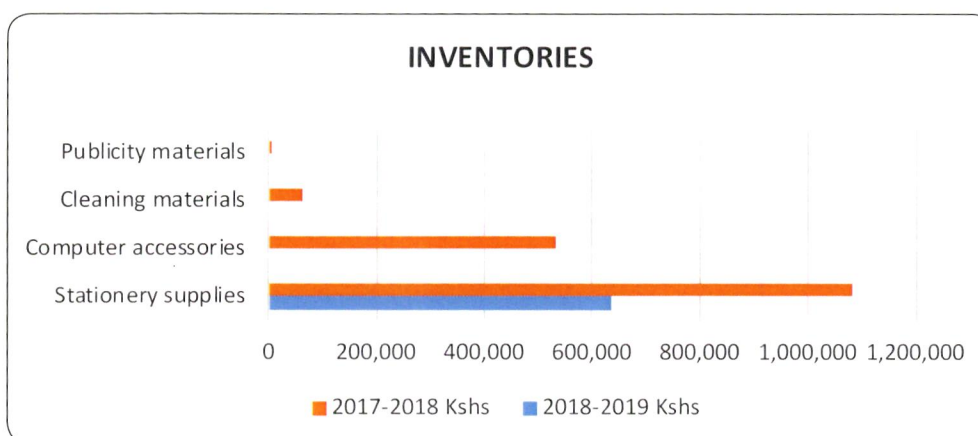


18. INVENTORIES

The item comprises of consumables whose turnover is very high. All unutilized stores consumables are accounted for at cost at the end of the financial year and are valued at FIFO basis.

The inventories held at the end of the financial year were classified as follows:

	2018-2019	2017-2018
	Kshs	Kshs
Stationery supplies	633,961	1,080,899
Computer accessories		530,223
Cleaning materials		61,712
Publicity materials		1,520
	633,961	1,674,354



NOTES TO THE FINANCIAL STATEMENTS

19. INVESTMENTS

	2018-2019	2017-2018
	Kshs	Kshs
Investment in Treasury bills and Bonds at CBK	700,000,000	500,000,000
	700,000,000	500,000,000

20. PROPERTY, PLANT AND EQUIPMENT

Cost/Valuation	Motor Vehicles	Furniture and fittings	Equipment	Computers	Totals
	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1st July 2017	11,350,000	17,093,000	2,593,800	5,390,552	36,427,352
Revaluations	(5,730,000)				(5,730,000)
As at 30th June 2018	5,620,000	17,093,000	2,593,800	5,390,552	30,697,352
Depreciation and impairment					
As at 1st July 2017	11,350,000	2,136,625	324,225	2,437,851	16,248,701
Depreciation on revaluation	(11,350,000)				(11,350,000)
Charge for the Year	1,405,000	2,136,625	324,225	1,796,851	5,662,701
As at 30th June 2018	1,405,000	4,273,250	648,450	4,234,702	10,561,402
NBV as at 30th June 2018	4,215,000	12,819,750	1,945,350	1,155,864	20,135,964
Cost/Valuation					
As at 1st July 2018	5,620,000	17,093,000	2,593,800	5,390,552	30,697,352
Additions			674,560	4,355,178	5,029,738
As at 30th June 2019	5,620,000	17,093,000	3,268,360	9,745,730	35,727,090
Depreciation and impairment					
As at 1st July 2018	1,405,000	4,273,250	648,450	4,234,702	10,561,402
Charge for the Year	1,405,000	2,136,625	408,545	2,607,576	6,557,746
As at 30th June 2019	2,810,000	6,409,875	1,056,995	6,842,278	17,119,148
NBV as at 30th June 2019	2,810,000	10,683,125	2,211,365	2,903,452	18,607,942

In 2016/17 revaluation was carried out in respect to furniture, fittings and equipment. While the Motor vehicles were revalued by AA Kenya in 2017/18. There are no restrictions on the assets.

NOTES TO THE FINANCIAL STATEMENTS

21. INTANGIBLE ASSETS -SOFTWARE

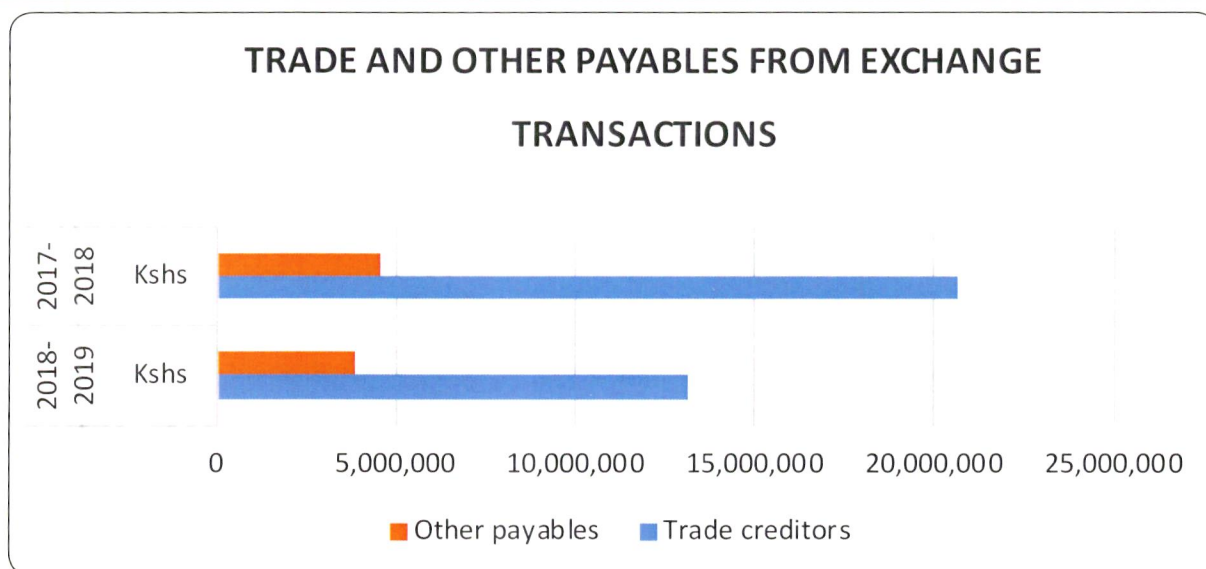
COST	2018-2019	2017-2018
	Kshs	Kshs.
Opening Balance	10,147,724	10,147,724
Additions during the year	1,509,990	
Total	11,657,714	10,147,724
AMORTIZATION		
Opening Balance	10,147,724	10,147,724
Charge for the Year	503,330	
Total	10,651,054	10,147,724
NET BOOK VALUE AT END OF THE YEAR	1,006,660	

Intangible assets relate to acquisition of Microsoft Navision Integrated Financial Management Information System (Navision Dynamic 2009)

As at 30th June 2019, intangible assets worth Kshs.10,147, 711 had been fully amortized for a period of three years. The Commission has initiated the process of upgrading/replacing the software system.

22. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2018-2019	2017-2018
	Kshs	Kshs
Trade creditors	13,092,462	20,642,052
Other payables	3,863,458	4,563,304
Total	16,955,920	25,205,356



NOTES TO THE FINANCIAL STATEMENTS

23. CURRENT PROVISIONS

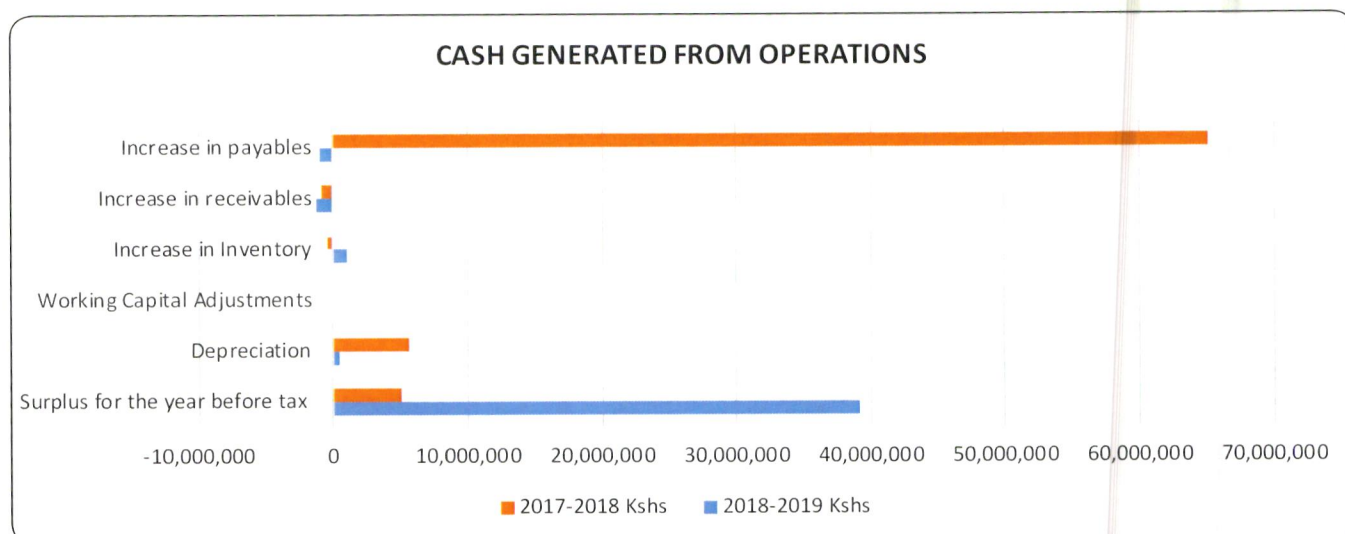
	Leave Provision	Staff Gratuity	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	1,832,889	33,335,659	24,156,208	59,324,756
Additional provisions raised	828,888	16,872,856	11,930,758	29,632,502
Provisions Utilized	(413,784)	(18,027,441)	(3,968,941)	(22,410,166)
Closing Balance	1,832,889	32,181,074	32,118,025	66,547,092

Provisions relates to:

- Accumulated staff gratuity which is payable on expiry of the contract.
- Provisions for ongoing/uncompleted contracted services which related to 2018/19 financial year.

24. CASH GENERATED FROM OPERATIONS

	2018-2019	2017-2018
	Kshs	Kshs
Surplus for the year before tax	39,151,744	5,085,467
Depreciation	503,330	5,662,701
Working Capital Adjustments	0	
Increase in Inventory	1,040,393	(449,137)
Increase in receivables	(1,274,393)	(859,985)
Increase in payables	(1,027,100)	65,073,112
Net cash flow from operating activities	38,393,988	74,512,144



NOTES TO THE FINANCIAL STATEMENTS

25. FINANCIAL RISK MANAGEMENT

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

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

i. Credit Risk

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

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

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

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

	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Bank Balances	905,938,677	905,938,677	-	-
Receivables from Exchange Transactions	67,594,214	67,594,124	-	-
Receivables from Non-Exchange Transactions	201,880,000	201,880,000	-	-
At 30 June 2018				
Bank Balances	874,084,417	874,084,417	-	-
Receivables from Exchange Transactions	74,427,559	74,427,559	-	-
Receivables from Non-Exchange Transactions	220,000,000	220,000,000	-	-

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

ii. Liquidity Risk Management

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

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

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	3,969,593	11,624,765	5,047,694	20,642,052
Provisions	82,888	5,856,481	20,049,551	25,988,920
Payroll deductions	4,563,304	0	0	4,563,304
Employee benefit obligation	1,702,024	3,430,402	28,203,410	33,335,836
	10,317,809	20,911,648	53,300,655	84,530,112
At 30 June 2019				
Trade payables	4,013,744	8,483,557	595,160	13,092,461
Provisions	11,593,542	392,045	20,132,439	32,118,026
Payroll deductions	3,863,458	0	0	3,863,458
Employee benefit obligation	2,959,847	4,540,552	26,928,668	34,429,067
	22,430,591	13,416,154	47,656,267	83,503,012

iii. Market Risk

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

iv. Foreign Currency Risk

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

v. Interest Rate Risk

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

Management of Interest Rate Risk

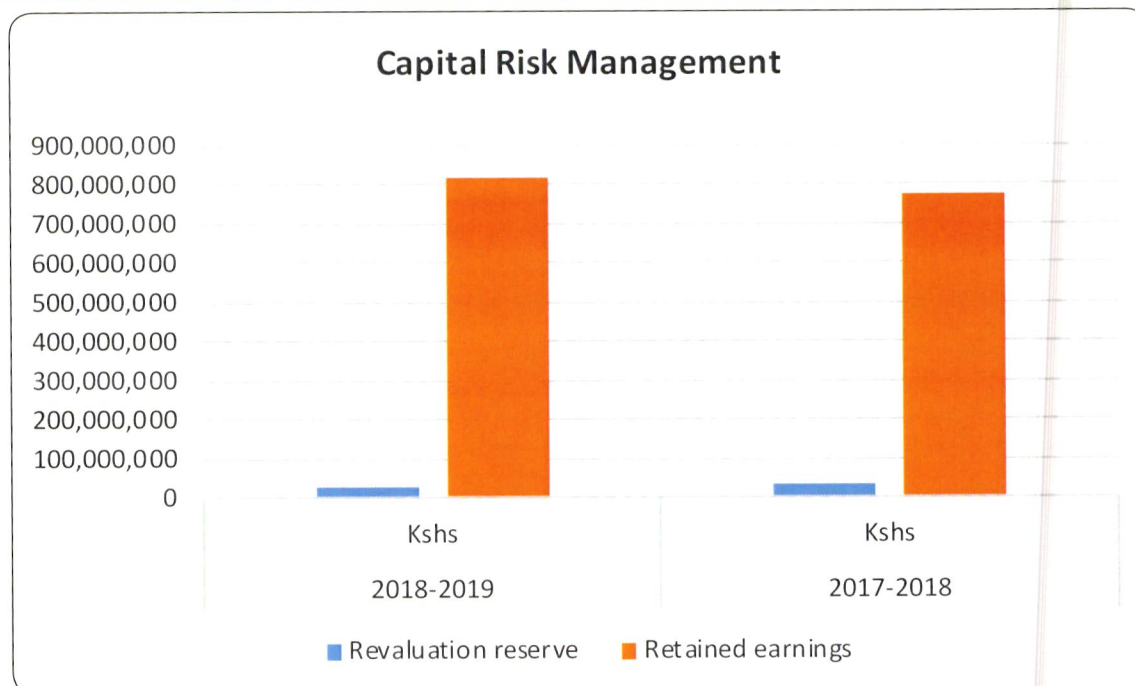
To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

vi. Capital Risk Management

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

NOTES TO THE FINANCIAL STATEMENTS

	2018-2019	2017-2018
	Kshs	Kshs
Revaluation reserve	28,397,997	34,955,743
Retained earnings	816,435,609	777,283,865
Total funds	844,833,606	812,239,608



26. RELATED PARTY BALANCES

Nature of Related Party Relationships

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

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key Management Personnel; and
- iv) Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

	2018-2019	2017-2018
	Kshs	Kshs
Transactions with Related Parties		
a) Grants from the Government		
Grants from National Government	201,880,000	220,000,000
Total	201,880,000	220,000,000
b) Expenses Incurred on Behalf of Related Party		
Payments of Salaries and Wages for Employees	106,186,609	92,656,860
Total	106,186,609	92,656,860
c) Key Management Compensation		
Directors' Emoluments	28,064,685	42,690,841
Compensation to the CEO	5,842,000	9,544,974
Compensation to Key Management	41,350,288	74,852,758
Total	75,256,973	127,088,573

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

27. CAPITAL COMMITMENTS

The following Capital commitments are expected to be incurred in the year 2019/20. They had been approved and/or contracted.

	2019/20	2018/19
	Kshs	Kshs
Approved and Contracted		
Transaction costs	644,000,000	641,159,950
Approved and not Contracted		
Acquisition of tangible assets	23,000,000	15,000,000
Acquisition of intangible assets	25,000,000	42,000,000
Office partioning & relocation	48,000,000	0
Staff Mortgage and car loan	84,000,000	80,000,000
	824,000,000	778,159,950



NOTES TO THE FINANCIAL STATEMENTS

28. DIVIDENDS/SURPLUS REMISSION

The entity did not submit any surplus during the financial year 2017/2018

29. TAXATION

During the year the Commission didn't pay Corporation tax.

30. EVENTS AFTER THE REPORTING PERIOD

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

31. ULTIMATE AND HOLDING ENTITY

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

32. CURRENCY

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

STATEMENT OF ASSETS AND LIABILITIES OF PRIVATIZED ENTITIES

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

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal 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)

Executive Director/CEO

31st August 2019

Chairman of the Board

31st August 2019

APPENDIX II: PROJECTS IMPLEMENTED BY THE PRIVATIZATION COMMISSION

Projects

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

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

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

Status of Projects completion

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

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

APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the State Department of the entity				
FY				
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
b. Development Grants			N/A	
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	N/A	
c. Direct Payments				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	N/A	
d. Donor Receipts				
		<u>Bank Statement Date</u>	<u>Amount (KShs.)</u>	<u>Indicate the FY to which the amounts relate</u>
		Total	N/A	

The Commission does not have any inter-entity transfers.

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/ Donor Transferring the funds	Date received	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others (must be specific)	
NATIONAL TREASURY	22/8/18	Recurrent	51,500,000	51,500,000					51,500,000
NATIONAL TREASURY	26/10/18	Recurrent	47,380,000	47,380,000					47,380,000
NATIONAL TREASURY	15/2/18	Recurrent	50,470,000	50,470,000					50,470,000
NATIONAL TREASURY	15/5/19	Recurrent	52,530,000	52,530,000					52,530,000
Total			201,880,000	201,880,000					201,880,000