



PRIVATIZATION COMMISSION

Enhancing Kenya's Productive Capacity

PRIVATIZATION COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2023



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



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 THE NATIONAL ASSEMBLY PAPERS LAID	
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TABLED BY:	DEPUTY MARGARET WILIS
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1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

CBK	Central Bank of Kenya
ED/CEO	Executive Director /Chief Executive Officer
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

B: Glossary of Terms

Fiduciary Management

Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative Year

Means the prior period.

2. 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 Premier Privatization Agency

Mission

To unlock the potential of Public Enterprises by implementing the Privatization Programme through well-designed strategies to achieve desired national objectives.

Strategic Objectives

- (i) To review and implement the Privatization Programme by 2026.
- (ii) To review the Privatization Act 2005 by 2024.
- (iii) To enhance Stakeholder Collaboration and Partnerships.
- (iv) To create awareness of the Privatization Commission.
- (v) Foster Research and Innovation.
- (vi) To ensure availability and optimal utilization of resources.
- (vii) To enhance corporate governance

(c) Key Management

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

- Executive Director/CEO; and
- Management.

(d) Fiduciary Management

The key management personnel who held office during the period ended 30th June, 2023 and who had direct fiduciary responsibility were:

NO.	DESIGNATION	NAME
1.	Executive Director/CEO	Joseph Koskey
2.	Director Transactions	Benard Kirui (PhD)
3.	Company Secretary & Director Legal Services	Irene Kamunge
4.	Director Corporate Services	Donna Atieno
5.	Transaction Manager	Janerose Omondi (PhD)
6.	Transaction Manager	Charles Ochola
7.	Manager, Legal Manager	Maureen Saina
8.	Manager, Finance	Virginiah Kariuki
9.	Manager, Human Resource and Administration	Caroline Kittur
10.	Manager, Corporate Communications	Viulance Wawuda
11.	Manager, Information, Communication and Technology	Arnold Ndukuyu
12.	Manager, Supply Chain Management	Sylvester Kamau
13.	Manager Research and Planning	Jemimah Muraya
14.	Internal Audit Manager	Clive Kinoti

(e) Fiduciary Oversight Arrangements

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

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

(f) Privatization Commission Office

P.O.Box 34542 - 00100
10th Floor, Social Security House – Annex
Bishops Road
Nairobi, KENYA

(g) Privatization Commission

Contacts Telephone: +254 20
869 6800 Email:
info@pc.go.ke
Website: www.pc.go.ke

(h) Privatization Commission

Bankers Kenya Commercial
Bank University Way Branch
NAIROBI, KENYA

Kenya Commercial Bank
KICC Branch
NAIROBI, KENYA

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

HFC Ltd.
Gill House
Tom Mboya Street
NAIROBI, KENYA

(i) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P. O. Box 30084
GPO 00100
Nairobi, Kenya

(j) Principal Legal

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

3. THE BOARD OF DIRECTORS



Mr. Faisal Abass - Board Chairman

Mr. Abbas holds a degree in Economics from the American University of Cairo and a Master of Business Administration (MBA) from the University of Nairobi, specialising in Strategic Management.

Mr. Abbas is an entrepreneur with over 20 years of outstanding leadership experience in corporate governance and administration in both the public and private sectors. He is a businessman who embodies the entrepreneurial spirit, having gained incredible success in running a family business with outstanding results over the years.

He has served in Public Service as a Director in several State Corporations between 2000 and to date. Faisal was previously the Chairman of the Geothermal Development Company (GDC) and Rural Electrification and Renewable Energy Corporation (REREC). He also served as a Director of Kenya Electricity Generating Company (KenGen) and was part of the team that steered the organisation to enlist at the Nairobi Securities Exchange.

Date of Appointment 05.07.22

D.O.B 15.09.1966



Prof. Njuguna Ndungú, CBS - Cabinet Secretary, National Treasury and Planning

Prof. Ndungú is the Cabinet Secretary of National Treasury & Economic Planning.

Before the current appointment, Prof. Ndungú was the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity- building network of researchers, trainers, students, universities, policymakers and international resource persons. He is an Associate Professor of Economics at the University of Nairobi and

the immediate former Governor of the Central Bank of Kenya.

Prof. Ndungú has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program Specialist at IDRC and Team Leader in Macro-Modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a Ph. D in Economics from the University of Gothenburg, Sweden.

He is a Member of the Brookings Africa Growth Initiative, the Advisory Committee of the Alliance for Financial Inclusion that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.



Hon. Justin B. N. Muturi E.G.H - Attorney General

Hon. Justin B. N Muturi is the Attorney General of the Republic of Kenya.

Prior to his appointment, Hon. Muturi served as Speaker of the National Assembly and Chair of the Parliamentary Service Commission (PSC). He has also served in various capacities, including but not limited to being President of the Africa Parliamentarians' Network Against Corruption in Ghana (2018-2021), Member of the Expert Committee on Commonwealth Parliamentary Association (CPA) Status Representing Africa Region (Nominated by the CPA- Africa Region, Jan 2017 to 2022); President of the Commonwealth Parliamentary Association – Africa Region (July 2014–August 2016); Member for East Africa to the Conference of the Speakers and Presiding Officers of Commonwealth Parliaments (CSPOC) (Feb 2014-2016); Chairperson of the East Africa Community (EAC) Bureau of Speakers (2014-2015); and Chairperson of House Business Committee; Select Committee on Appointments and Committee on Powers and privileges (March 2013 to 2022).



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

Mr. Koech is the Assistant Director - Investment at the Government Investments and Public Enterprises Department of the National Treasury. He has also served as Postbank's Deputy Head of Strategy and Change. He is highly experienced in Policy and Financial Analysis, Project Management, Strategic Management, Leadership and Corporate Governance and Quality Management Systems.

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

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

DOB: April 21, 1969



Ms. Sharon Irungu-Asiyo, HSC - Member, 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: June 27, 1981



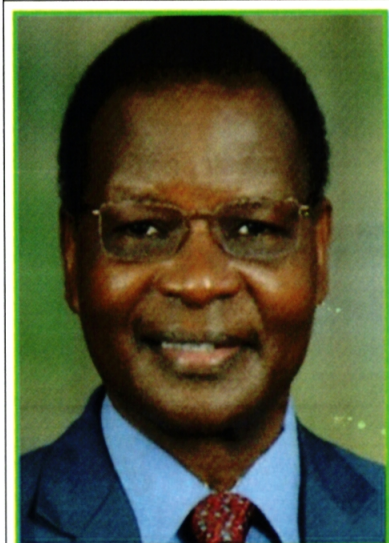
Irene Njeri Wanyoike – Commission Member

Irene is a seasoned and passionate professional with a career spanning over 15 years in alternative dispute resolution mechanisms emphasising Mediation, Law and Governance. She has a Master’s degree in Diplomacy and Foreign Policy from Moi University, a Post Graduate Diploma in Law from the Kenya School of Law and a Bachelor of Law from the University of Nairobi.

In her vast experience working with the Judiciary, National Cohesion and Integration Commission and the Association of Professional Societies in East Africa, Irene has interacted extensively with the three Arms of Government, Security, Provincial Administration, county governments and the local grassroot leadership, which has enlarged her networks and given her a rich understanding of the public sector. Irene is also knowledgeable in the field of Public Sector Reforms, Governance, and Human Rights and is very passionate about issues of Women and Youth Empowerment.

Date of appointment: March 25, 2022

D.O.B: December 29, 1955



Dr. Edward N. Kobuthi, Commission Member

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

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

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

Date of appointment: March 25, 2022

D.O.B: November 2, 1957



Amb. Wellington Pakia Godo – Commission Member

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

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

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

Date of appointment: March 25, 2022

D.O.B: December 3, 1953



Celine Anyango Orata – Commission Member

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

She has vast banking experience spanning over 27 years both locally and internationally and over six years in Board membership in Kenya Women Finance Trust, currently

Kenya Women Microfinance Bank, as well as a Treasurer and Board Member of the Kenya Girl Guides Association for a period of 6 years.

She is the current chairperson of the Barclays Bank Pensions SACCO and a Director at Suave Investments Limited.

She has also been involved in community engagements, including coaching, mentoring, advocacy, health promotions, and women and youth empowerment.

Date of appointment: March 25, 2022

D.O.B: July 15, 1955



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

Mr. Nyakang'o holds a Master of Business Administration from the University of Cumbria in the United Kingdom. He is a Bachelor of Commerce (Accounting Option) graduate from the University of Nairobi. He is also a qualified Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya. He is also a Certified Secretary and a member of the Institute of Certified Secretaries of Kenya. He is a Corporate Governance Auditor accredited by the Institute of Certified Secretaries of Kenya.

Mr. Nyakang'o is an established leader in business with over 40 years of experience in financial management, audit, tax, company secretarial and corporate governance advisory services. His expertise includes high-level finance management as the Financial Controller of Mumias Sugar Company and as Financial Accountant with Eastern Produce Africa Limited. He has over 30 years of professional practice experience in accountancy, audit, and tax advisory with MDN Kenya LLP since 1992 as a Managing Partner. Additionally, he has experience in company secretarial practice with Olmara Secretaries LLP, providing company secretarial services on an outsourced basis to ensure businesses operate within their underlying legislation/regulatory environment whilst observing best corporate governance practices. He has consulted variously and widely in business reorganizations and restructuring.

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

Date of appointment: March 25, 2022

D.O.B: July 5, 1956



Mr. Joseph Koskey- Executive Director/CEO

Joseph is the Executive Director/CEO and holds an MBA (Strategic Management) and Bachelor of Commerce (Accounting) degrees from the University of Nairobi and is currently a PhD candidate (Business Administration) at the same University. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Certified Secretaries of Kenya (ICSK), Institute of Certified Investment and Financial Analysts (ICIFA) and Institute of Directors Kenya (IODK). He is a certified trainer

on Corporate Governance as well as a certified Governance Auditor.

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

Prior to his appointment to the Commission, Joseph had served as the Group CEO at

Sovereign Group Ltd, as Managing Director at the Kenya Bureau of Standards, and as Managing Director at Urgent Cargo Handling, Ltd, among others.

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

Date of appointment: November 1, 2018

DOB: January 29, 1970



Irene Kamunge- Corporation Secretary




Irene holds a Master of Laws (LL.M) degree and a Bachelor of Laws (LL.B) degree from the University of Nairobi. She is also an Advocate of the High Court of Kenya and a Certified Public Secretary. Irene's skills range from Legal Technical know-how, managerial skills, corporate governance, legal audit, collaborative partnerships and stakeholder management. Irene has a proven track record in negotiating and drafting legal and policy instruments, including international agreements and providing independent advice to the highest level of policymakers and senior-level management on highly technical issues.

Date of appointment: September 1, 2022

DOB: August 7, 1977

4. KEY MANAGEMENT TEAM

NAME OF STAFF	RESPONSIBILITY
 <p>Mr. Joseph Koskey Joseph holds a Master of Business Administration (Strategic Management) and a Bachelor of Commerce (Accounting) degrees from the University of Nairobi. He is currently a PhD candidate (Business Administration) at the same University. He is a member of the Institutes of Certified Public Accountants of Kenya (ICPAK), Certified Secretaries of Kenya (ICSK), Certified Investment and Financial Analysts (ICIFA) and Institute of Directors Kenya (IODK). He is also a certified trainer on corporate governance and a Certified governance Auditor.</p>	<p>EXECUTIVE DIRECTOR/CEO Enhancing the mission, vision and values of the Commission on all matters relating to the implementation of the Privatization Programme; and provision of leadership in the development and implementation of appropriate strategies.</p>
 <p>Dr. Benard Kirui Benard holds a PhD in Economics from the University of Nairobi, a Master's degree in Economics, and a Bachelor's in Economics and Statistics from Kenyatta University. He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).</p>	<p>DIRECTOR, TRANSACTIONS SERVICES Responsible for development and implementation of privatization proposals in accordance with the Privatization Programme.</p>
 <p>Ms. Irene Kamunge Irene holds a Master of Laws (LL.M) degree and a Bachelor of Laws (LL.B) degree from the University of Nairobi. She is also an Advocate of the High Court of Kenya and a Certified Public Secretary.</p>	<p>CORPORATION SECRETARY AND DIRECTOR LEGAL SERVICES To provide Board Secretariat services and legal advisory services to the Commission, thereby creating a conducive legal environment for the execution of the Commission's mandate.</p>
 <p>Ms. Donna Atieno Donna holds a Master of Science in Development Finance degree from Strathmore University, a Master of Business Administration (Finance) degree from Kenya Methodist University and a Bachelor of Business Management (Accounting) degree from Moi University. She is a Certified Public Accountant (CPA-K) registered with ICPAK. She is also a certified Retirement Benefits Trustee.</p>	<p>DIRECTOR CORPORATE SERVICES To provide strategic leadership and advice to ensure optimal utilization and management of the Commission's resources in the functional areas of Finance; Human Resource Management & Administration; Corporate Communications; and Information & Communication Technology.</p>

NAME OF STAFF		RESPONSIBILITY
	<p>Mr. Sylvester Kamau</p> <p>Sylvester holds a Master of Science (MSc) degree in Procurement and Logistics from the JKUAT and a CIPS Post-Graduate Professional Diploma in Procurement and Supplies. He also has a Bachelor of Arts degree in Government and Public Administration from Moi University. He is currently pursuing his PhD. in Supply Chain Management from JKUAT. He is a registered and licensed member of the Kenya Institute of Supplies Management.</p>	<p>SUPPLY CHAIN MANAGEMENT</p> <p>Assists the Commission to achieve its strategic goals through implementation of efficient and effective systems of acquisition of goods, works and services, as well as disposal of assets in accordance with all applicable laws, regulations and circulars issued from time to time</p>
	<p>Ms. Jemimah Muraya</p> <p>Jemimah holds a Master of Science (MSc) in Social Statistics from the University of Nairobi; a Bachelor of Science in Applied Statistics from Maseno University; and a Higher Diploma in Project Management from Kenya Institute of Management. She is currently pursuing a Master of Business Administration degree (Strategic Management) from USIU-A. She is a member of International Statistical Institute and the African Statisticians Association (K).</p>	<p>RESEARCH AND PLANNING</p> <p>Responsible for development, implementation, monitoring and evaluation of the Commission's strategic plan; Promoting innovation; performance management; and Coordinating Internal and external research</p>
	<p>Mr. Clive Njiru Kinoti</p> <p>Clive holds a Bachelor of Arts in Economics and Business Studies from Kenyatta University and a Master of Commerce in Finance from Strathmore University. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Member of Institute of Certified Investment and Financial Analysts (CIFA).</p> <p>He has more than fifteen (15) years of experience in Auditing, Risk Management and Compliance.</p>	<p>INTERNAL AUDIT</p> <p>Responsible for providing independent, objective assurance and consulting activity aimed at adding value and improving the operations of the Commission.</p>

5. CHAIRMAN'S STATEMENT

I am extremely delighted to present the Annual Report for the Privatization Commission for the year that ended, 30th June 2023. As per the provisions of Section 15 and 16 of the Privatization Act, 2005, the Commission's Annual Report should, as a minimum requirement, include the Audited 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, should be included. During the year under review, no privatization was completed hence this report is limited to the Commission's Audited Financial Statements.

During the year under review, the Commission continued with the implementation of the 2022/2027 Strategic Plan, with a focus on the Key Result Areas (KRAs) herein; the **implementation of the Privatization Programme**, enhancing **Collaboration, Partnerships and Visibility** and the enhancement of the **Institutional Capacity** at the Commission. To this end, several initiatives were undertaken which included the process of repeal of the Privatization Act, 2005 leading to the development of the Privatisation Bill, 2023 which was subjected to public participation; engagements with key stakeholders among them; Government departments and Agencies, development partners and key Capital Markets Industry players. And to enhance institutional capacity, critical vacant Senior Management positions were filled and Capacity Building and Competency Development programmes developed and implemented both at Board and Employee levels. In the coming year, the Commission will review the Strategic Plan to align with the Government's Bottom -up Economic Transformation Agenda (BETA)

In line with the provisions of Section 27(1) of the Privatization Act, 2005, the Board constituted several Privatization Steering Committees to implement the various transactions on behalf of the Commission. Consequently, seven (7) Privatization Proposals from the Steering Committees were considered and approved by the Board and submitted to the National Treasury for consideration and subsequent submission to Cabinet. Further, five (5) transactions at the implementation stage of the Privatization Process were considered and approved for implementation. With most of the transaction now moving to the implementation phase, and in anticipation of the enactment of the Privatisation Bill, 2023 into law, it is expected that the National Treasury, will identify new entities for inclusion in a new Privatization Programme for consideration by Cabinet and the National Assembly.

In conclusion, I would like to thank the Government through our parent ministry and other Agencies for the invaluable support to the Commission. Special compliments go my fellow Commission Members for their commitment and dedication to the Commission work, especially for the demonstration of rigour in the execution of their Steering Committee obligations. I equally applaud the Management and staff who have done a commendable job in the conduct of the Commission's business. And on behalf of the Commission Members, I convey our heartfelt gratitude to the Board Members who exited the Board during the period under review; Mr. John Joseph Tito (who was the Chair of the Finance and Strategy Committee) whose second term as a Board Member lapsed on 15th October 2022 and Mr. Salah Abdi (who was a member of the Audit Committee), who left to pursue other personal interests. We wish them well in their future endeavours.

Faisal Abass
Board Chairman

6. REPORT OF THE EXECUTIVE DIRECTOR/CEO

The Commission started the 2022/2023 FY with zeal, with a fully constituted Board in place after a 33-month hiatus; which period had affected the execution of the Commission's core mandate of formulating, managing and implementing the Privatization programme. The Commission started the implementation of its 5-year Strategic Plan running from 2022/2023 FY through to 2026/2027 FY with notable achievements. The Strategic plan is anchored on three (3) broad pillars with seven (7) strategic objectives with a robust detailed implementation framework.

During the year, the Commission embarked on several activities under each objective, as follows;

i) **To Review and implement the Privatization Programme by 2027.**

In the execution of its role of formulating the Privatization Programme, the Commission Board in its meeting held on 27th October, 2022 reviewed and recommended to the National Treasury seven (7) Public Entities for inclusion in the Privatization Programme. Further, Management restarted the update of due diligence reports for thirteen (13) public entities; twelve (12) of which were considered and approved by the Board. Of the twelve (12), eight (8) are at the preparatory phase of the privatization process and four (4) being at the implementation phase. And in line with the provisions of Section 23 of the Privatization Act, 2005, the Commission prepared and submitted seven (7) specific privatization proposals to the Cabinet Secretary to the National Treasury for consideration and subsequent presentation to the Cabinet for approval.

ii) **To review the Privatization Act 2005 by 2024**

As part of addressing the bottlenecks faced by the Commission in implementing the Privatization Programme, management initiated a review of the Privatization Act, 2005 in 2020. During the year under review, and as guided in the letter Ref: OP/CAB.26/1/3A dated **18th October 2022**, a technical committee comprising officers from the National Treasury, Ministry of Investment Trade & Industry, Office of the Attorney General and the Privatization Commission was constituted to guide review of the Privatization Act, 2005. The Committee held several workshops/consultative meetings, developed proposed amendments to the Act and submitted drafting instructions to AG upon which several Draft Privatization Bills were developed culminating in the draft Privatization Bill, 2023 which was subjected to countrywide public participation through a Notice published on MyGov to receive comments from the public on the same as indicated below;

REGION	VENUE	DATE
Nakuru, Baringo, Uasin Gishu, Elgeyo Marakwet, West Pokot, Turkana, Trans-Nzoia	Eldoret	31/01/2023
Mombasa, Kwale, Kilifi, Lamu, Tana-River, Taita-Taveta	Mombasa	31/01/2023
Kisumu, Kisii, Migori Homa-Bay, Nyamira, Siaya, Vihiga, Bungoma, Kakamega, Busia, Bomet, Kericho, Narok, Nandi	Kisumu	31/01/2023
Nyeri, Murang'a, Kirinyaga, Laikipia, Meru, Embu, Tharaka-Nithi, Isiolo, Marsabit, Samburu	Nyeri	31/01/2023
Wajir, Garissa, Mandera	Garissa	31/01/2023
Kitui, Machakos, Makeni	Machakos	31/01/2023
Nairobi, Kiambu, Kajiado, Nyandarua	Nairobi	07/02/2023

The comments received from the public were incorporated into the Bill, and a Cabinet memorandum forwarding the Bill to Cabinet was developed. The Privatisation Bill, 2023, was approved by Cabinet on 21st March, 2023 and forwarded to Parliament for approval and received the 1st reading on 6th June, 2023. Thereafter, it was referred to the Departmental Committee for Finance and National Planning. We are hopeful that the Bill will be passed by the National Assembly, thereby repealing the Privatization Act, 2005 and providing an enabling legal framework for the Commission to achieve its mandate.

iii) To enhance Stakeholder Collaboration and Partnerships.

To achieve this, the Commission undertook several Stakeholder engagement initiatives with key Government Departments and Agencies as well as Capital Markets stakeholders among them; NSE, ICIFA and the Kenya Association of Stock Brokers and Investment Bankers. The Commission also held various consultative meetings with a team from the British High Commission – UK Department for International Trade and Japan International Cooperation Agency (JICA) Kenya to discuss possible areas of cooperation.

iv) To create awareness of the Privatization Commission.

To achieve this Management developed a Communication and Stakeholder Engagement Strategy which was approved for implementation by the Board. The Commission is very active in both mainstream and social media. The Commission CEO participated as a panelist in the Business Daily Twitter Space- Topic: *Should the Government be in Business: A privatization Debate*. Further, the Commission to undertook two CSR activities; planted 20,000 trees and distributed sanitary towels to needy girls in Mukuru kwa Njenga.

v) Foster Research and Innovation.

The Commission continued the implementation of the recommendations of a research undertaken in 2019/2020 FY. Additionally, the Commission received ISO 9001:2015 Recertification by KEBS. The Commission also put in place Information Security Management Systems strategies, deployed web encryption technologies and continued its paperless office initiatives in the conduct of its operations.

vi) To ensure availability and optimal utilization of resources.

The Commission remains committed to being an employer of choice as it continues to attract, develop and retain talent. During the period under review, the Commission filled critical vacant positions of Director, Transaction Services, Director, Corporate Services and Corporation Secretary & Director, Legal Services and several middle management positions. And in an effort to supplement the Exchequer budgetary support, a resource Mobilization Framework was developed and approved by the Board for implementation. Further, the Commission ensured implementation of value for money procurements through efficient and effective source whilst ensuring prudent financial management.

vii) To enhance corporate governance.

There were various trainings undertaken for the Board members not only to build capacity but also as a mechanism for enhancing corporate governance at the Commission. The trainings included; induction workshop for directors of State Corporations by SCAC, Finance for Non- Finance Managers by Kenya School of Government, Training on Privatizations by PriceWaterhouseCoopers and Enterprise Risk Management by Sentinel Africa Ltd. Further, a repository containing relevant Laws, Policies, Circulars, and Executive Orders was created as a folder in e-board system for ease of reference by the Board Members.

And with the Commission on course to achieving the strategic objectives, I take this opportunity to thank our Board Members for their guidance, direction and support. To our staff, thanks for your commitment, dedication and enthusiasm in meeting the Commission's objectives and targets and to all our key stakeholders, we extend our compliments for your collaboration and partnership.



Joseph Koskey
Executive
Director/CEO

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Privatization Commission has 3 strategic pillars and objectives within the current Strategic Plan for the FY 2022/2027. These strategic pillars/ themes/ issues are as follows:

- I. Implement privatization programme
- II. Strengthen collaboration, partnership and visibility
- III. Strengthen Institutional capacity

Privatization Commission develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Privatization Commission achieved its performance targets set for the FY 2022/2023 period for its 3 strategic pillars, as indicated in the table below:

Strategic Objective	Strategy	Activities	Expected Outcome	Indicators	2022/23 Achievements
KRA I: IMPLEMENT PRIVATIZATION PROGRAMME					
To Review and implement the Privatization Programme by 2027.	Onboard entities in the Privatization Programme by 2027.	Assessment of entities to be on-boarded in the Privatization Programme.	Continuity of the privatization agenda.	Approved Assessment reports.	Seven (7) entities were assessed for inclusion in the Privatization Programme and a recommendation submitted to the National Treasury.
	Complete approved privatization transactions by 2027.	Complete/ Update preparatory work for the entities.	Realization of the benefits of privatization.	Number of updated and approved due diligence reports.	The Steering Committee and the Commission Board considered and approved the updated due diligence reports for seven (7) entities. These include KDC- Controlled hotels, which comprises of five (5) hotels, including (1) Kabarnet Hotel, (2) Mt. Elgon Hotel, (3) Golf Hotel Limited, (4) Sunset Hotel, and (5) Kenya Safari Lodges & Hotels Limited, and two banks: Development Bank of Kenya and Consolidated Bank of Kenya.

Strategic Objective	Strategy	Activities	Expected Outcome	Indicators	2022/23 Achievements
		Develop detailed privatization proposals for submission to NT.		Approved Detailed Privatization Proposals.	Privatization proposal for seven (7) entities prepared and submitted to the Cabinet through the National Treasury. These entities whose proposal was submitted include KDC-Controlled hotels comprising of (1) Kabarnet Hotel, (2) Mt. Elgon Hotel, (3) Golf Hotel Limited, (4) Sunset Hotel, and (5) Kenya Safari Lodges & Hotels Limited, and two banks: Development Bank of Kenya and Consolidated Bank of Kenya.
		Implementation of the approved privatization transactions /detailed proposals.		Signed Privatization Agreement.	Four (4) entities are at the implementation stage, including three (3) KDC-associated hotels and KWA Holdings E.A Limited (KHEAL). The Commission communicated to KDC to notify the existing shareholders to exercise their pre-emptive rights for the three (3) KDC- associated hotels. Regarding KHEAL, the Commission sought concurrence from the National Treasury to implement phase 2.
	Review the privatization of the five (5) sugar companies.	Lobby the Cabinet through the National Treasury to reconsider the decision to vacate the privatization model approved by Parliament.		Signed Certificate/ Agreement.	The Cabinet approved a leasing model for the five (5) sugar companies.

Strategic Objective	Strategy	Activities	Expected Outcome	Indicators	2022/23 Achievements
To review the Privatization Act 2005 by 2024.	Undertake comprehensive review of the Privatization Act.	Propose amendments to the Privatization Act.	Create an enabling environment for privatization.	Approved amendments to the Privatization Act by the Board.	Proposed amendments to the Act were prepared and presented to the Board. The Board comments were incorporated, amendments revised, and a report was submitted to the National Treasury & Planning.
		Undertake stakeholder engagements in support of legislative changes.	Stakeholder sensitization workshops.	Stakeholder sensitization workshop reports.	Two stakeholder meetings were held in October and November 2022 to receive comments on the proposed amendments to the Act. Stakeholder sensitization/public participation on the Privatization Amendment Bill, 2023, undertaken in Nairobi, Eldoret, Mombasa, Kisumu, Machakos and Garissa and respective reports prepared.
		Finalize review of the Act for approval and submission to NT and Cabinet.	Revised privatization Act.	Final Draft Privatization Bill.	The Privatization Bill was approved by the Cabinet and forwarded to the National Assembly. The Bill was read for the First Time on 6th June 2023 in the National Assembly and the public was requested to submit comments on the same from 12th to 26th June 2023.
KRA II: STRENGTHEN COLLABORATION, PARTNERSHIPS AND VISIBILITY					
To enhance Stakeholder Collaboration and Partnerships in Support of PC Mandate by 2027.	Develop and implement Stakeholder Engagement Strategy for privatization transactions	Stakeholder Mapping	Seamless cooperation in the implementation of privatization transactions.	Stakeholder Mapping Reports.	Stakeholder mapping was conducted during the development of the Communication and Stakeholder Engagement Strategy.

Strategic Objective	Strategy	Activities	Expected Outcome	Indicators	2022/23 Achievements
		Stakeholder Engagements	stakeholder support.	Stakeholder Engagement implementation Reports.	<p>The Commission also maintains a Stakeholder Database.</p> <p>During the period under review, the Commission conducted the following activities:</p> <ul style="list-style-type: none"> • Development of a Stakeholder Engagement Framework for the review of the Privatization Act • Held consultative meetings with among others the National Treasury, Ministry of Investments, Trade and Industry, Competition Authority of Kenya, CMA, NSE, FMAK and KDC on the proposed Privatization Bill, 2023 were held. • Held various consultative meetings on diverse dates with a team from the British High Commission - UK Department for International Trade to discuss opportunities under the Privatization Programme and explore areas for collaboration. • As part of engaging the internal customers, Commission staff celebrated International Women's Day on 8th March 2023.
	Build new partnerships in support of the Commission's mandate	<p>Develop Collaboration ventures.</p> <p>Establish mutually beneficial partnerships.</p>	Stakeholder support.	Number of MOUs signed.	The Commission partnered with the Kenya Prison Service for environmental conservation.

Strategic Objective	Strategy	Activities	Expected Outcome	Indicators	2022/23 Achievements
To create awareness of the Privatization Commission.	Develop and implementation on Communication Strategy.	Develop the Communication Strategy	Awareness of the Commission and its mandate	Approved Communication Strategy.	The Communication and Stakeholder Engagement Strategy was developed and presented to the Board. The Strategy was approved for implementation.
		Implement the Communication Strategy		Communication strategy implementation Reports.	The Board approved the Communication and Stakeholders engagement Strategy in April 2023.
	Corporate Citizenship.	Review CSR Policy.	Increase level of awareness of PC. Feel-Good attitude of staff and beneficiaries	Approved CSR Policy.	The CSR policy was reviewed and presented to the Board for approval. The document was approved for implementation.
		Implement the CSR policy		CSR/sustainability implementation reports	The 2022/2023 Annual CSR Work Plan saw the Commission undertake two CSR activities that involved planting 20,000 trees and distributing sanitary towels to needy girls in Mukuru kwa Njenga.
	Revamp the Corporate Brand.	Brand audit	A new and revamped corporate brand.	Brand audit report	The Brand Audit commenced but was suspended to give way for the Commission's rebrand as envisaged in the Privatization Bill, 2023, which proposes a change of name from Privatization Commission to Privatization Authority.
	Enhance the profile and visibility of the Commission	Preparation of brand collateral. Dissemination of brand collateral.	Improved visibility and top-of-mind awareness of PC	Number of Beneficiaries/Target Population.	The Commission procured branded polo shirts, jackets, and thermo mugs for use internally by the Commission's staff. Also, laptop bags were procured and distributed to recipients at PC and the National Treasury.

Strategic Objective	Strategy	Activities	Expected Outcome	Indicators	2022/23 Achievements
KRA III: STRENGTHEN INSTITUTIONAL CAPACITY					
Foster Research and Innovation.	Embedded Research and Development.	Develop and implement a Research and Development Policy.	Improvement in business processes.	Approved Policy on Research and Development.	The Research and Development Policy was developed and approved by the Board.
		Undertake research to inform innovation in the Commission		Approved Research papers/ Reports.	The approved Research and Development Policy will guide research activities at the Commission.
		Implement research recommendations.		Implementation framework. Research & innovations implementation report on implemented best practices.	The Commission initiated the implementation of the following two of the eighteen recommendations of the research undertaken in 2019/2020: a. Mobilize external resources from development partners-A proposal on alternative sources of funding for the Commission was prepared by management and approved by the Commission for implementation. The implementation of the proposal will be undertaken in FY 2023/24. The Commission held discussions with officials from the British High Commission, UK Department for Trade on funding opportunities. Follow-up meetings will be undertaken in FY 2023/2024. b. Conduct a benchmarking study tour on privatization and government

Strategic Objective	Strategy	Activities	Expected Outcome	Indicators	2022/23 Achievements
					Divestiture-The Commission engaged the Ministry of Foreign Affairs for logistical support. The activity will be finalized in FY 2023/2024.
	Enhance Knowledge management	Implement Knowledge Management for staff growth and development		A Functional Resource Centre.	The Commission has a Functional Resource Centre in place.
		Maintenance of Quality Management System.		Recertification of 9001:2015.	The Commission received ISO 9001:2015 Recertification on Sept 2022
				Documented policies and procedures	Implementation of documented procedure is ongoing
	Leverage on ICT Systems to foster Innovation.	Carry out ICT infrastructure gap assessment	Operational Efficiency. Enhanced application of ICT in service delivery	ICT gap analysis assessment report	The gap analysis report formed the focal point to enhance and upscale on the technology initiatives
		Implement the Gap Analysis Assessment recommendations.		100% implementation	The Commission implemented the recommendations of the Gap analysis report that was carried out during the system audits in FY 2021/2022
		Conduct and implement recommendations of ICT Audits.		ICT Audit reports.	The Commission Implemented the recommendations of the ICT Audit report, which did not require financial appropriation due to budgetary constraints. As a consequence, the following activities could not be implemented: <ul style="list-style-type: none"> • Patch Management

Strategic Objective	Strategy	Activities	Expected Outcome	Indicators	2022/23 Achievements
					<ul style="list-style-type: none"> • Audit Log Management • Inventory and Control of Enterprise Assets • Network Monitoring and Defense; and • Network Controls and e-Mail Security
		Implement ISMS.		ISMS Implementation Report	The Commission implemented ISMS strategies by deploying role-based access control (RBAC) system that monitors access to the Commission building, implemented firewalls, intrusion detection and prevention systems (IDPS), and secure gateways to protect the network from unauthorized access and malicious activities; configured virtual private networks (VPNs) for secure remote access to internal systems and data; and deployed web encryption technologies such as secure sockets layer (SSL)/transport layer security (TLS) protocols among others.
To ensure availability and optimal utilization of resources.	Attract, develop and retain staff.	Employee sourcing and retention.	Motivated Staff Improved productivity.	% no. of employees recruited, promoted and retained	seven staff joined the organization in 2022/23
		Staff training and development	Enhance staff skills and competencies.	Level of implementation of the training programme (%)	100% implementation of training programme

Strategic Objective	Strategy	Activities	Expected Outcome	Indicators	2022/23 Achievements
		Recognition, rewards and sanctions.	Motivate Staff. Improve productivity. Strengthen performance management	Annual performance appraisal report indicating no. of employees recognized, rewarded and sanctioned	3 members of improved performance.
	Efficient and effective sourcing.	Develop and Implement Procurement Plan.	Value for money.	Approved annual Procurement Plan(s).	Implemented the procurement plan
		Implement laws, attendant regulations and circulars.		Implementation Report	Implemented all applicable laws, regulations and circulars
				Level of compliance (%)	100% compliance
	Resource Mobilization.	Engage with National Government for increased Funding.	Financial stability. Operational Efficiency.	% Increase in resource allocation from Exchequer.	There was a budget reduction in Supplementary 1 as the New Government implemented austerity measures
		Seek alternative sources of funds/resources.		Funding proposal. Funds/Resources received.	A paper on resource A Resource Mobilization Framework was developed and approved by the Board in Quarter 2.
	Prudent financial management	Budgeting Budgetary control		Approved budget. Utilization level report.	Budget prepared and approved Utilization reports were prepared and shared with relevant authorities
		Financial reporting.		Quarterly /Annual and financial reports.	Quarterly and annual report were prepared and submitted within the stipulated time
To enhance corporate governance	Strengthen compliance with laws, systems, regulations and guidelines.	Conduct periodic statutory/ Legal compliance audits.	Compliant Commission.	Statutory/ Legal Compliance audit reports.	Quarterly reports prepared and submitted to the relevant Agencies within the statutory timelines

Strategic Objective	Strategy	Activities	Expected Outcome	Indicators	2022/23 Achievements
		Compliance audit of internal controls and systems.		Audit Plan.	During the year, the Commission developed an Annual Audit Plan for implementation by the Internal Audit function.
				Annual implementation audit Report.	The Annual Audit plan was implemented as approved by the Audit Committee
	Build capacity for Board and management	Training of the Board and management on core mandate and good corporate governance.	Enhanced corporate governance at the Commission. A highly skilled board and management	Level of compliance (%).	100% compliance
		Undertake Training Needs Assessment and fill any gaps identified through training.		Training Needs Assessment Report. Training reports	TNA was done in July 2022 and training programme implemented
	Strengthen the ERM framework.	Review and implement the ERM Framework.	Reduced risk exposure and enhanced Business Continuity.	Approved ERM Framework	ERM Framework was developed and approved by the Board.
				Risk Monitoring Reports.	Quarterly risk monitoring reports were prepared, presented and approved by the board.
				No. of training/sensitization.	Board and Staff were trained on ERM Framework on 10th May 2023 and 27th April 2023, respectively.
		Undertake risk-based audit.	Risk Assurance.	Audit reports.	Audits were conducted as per approved Audit plan and reports shared and discussed with auditees

8. CORPORATE GOVERNANCE STATEMENT

Policy on Corporate Governance

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

Commission Charter

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

Appointment and Composition of the Commission Board

The Commission's Board is established under Section 5 of the Privatization Act, 2005. The membership is 11 comprising of; the Chairman who is appointed by the President, the Attorney General, the Principal Secretary- National Treasury, the Executive Director/CEO, and seven (7) other members appointed by the Cabinet Secretary through a competitive process and approved by the National Assembly by virtue of their expertise in such matters as will ensure that the Commission achieves its objectives. The Chairman and the seven members appointed by the Cabinet Secretary shall hold office for a period of three years and are eligible for reappointment for one more time. There are currently two (2) vacancies in the Board.

The Board, as constituted, complies with constitutional gender balance requirements, with female members constituting one-third of the membership. The Board has a mix of skills and experience in law, strategic management, financial management and accounting, human resources, banking, corporate governance and alternative dispute resolutions. The Board members are in good standing in their respective professional bodies.

During the period under review, the Commission was comprised of the following Board Committees set out in the Commission Charter with specific terms of reference to guide its operations:

The Finance and Strategy Committee

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

The Human Resources & Risk Management Committee (HRRMC)

The Committee assists the Board in overseeing all matters human resources and risk management within the Commission. During the period under review, the Committee conducted interviews to fill vacant positions at Director and Manager levels at the Commission.

The Audit Committee

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

Privatization Steering Committees (PSCs)

Section 27 of the Privatization Act, 2005 provides that for each privatization, there shall be a Steering Committee to implement privatization on behalf of the Commission subject to any directions of the Commission. A Steering Committee shall comprise of the Attorney General, the Principal Secretary of National Treasury, the Principal Secretary of the Ministry with responsibility over the asset or service being privatized and such members of the Commission as the Commission specifies. During the period under review, the Commission established the following Committees:

- Public Sector Owned/Controlled Hotels {Kenya Safari Lodges & Hotels (Mombasa Beach, Ngulia Lodge & Voi Lodge), Golf Hotel, Kabarnet Hotel, Mt. Elgon Lodge & Sunset Hotel) Steering Committee;
- Banks (Consolidated Bank of Kenya Limited, Development Bank of Kenya Limited) Steering Committee;
- Agro-Chemical & Food Company Ltd. Steering Committee;
- Kenya Wine Agencies Limited Steering Committee; and
- Kenya Meat Commission Steering Committee

The Board also established an Ad hoc Committee to hear and determine a disciplinary matter. In addition, two members were seconded to the Human Resource and Risk Management Committee during the shortlisting and conducting of interviews by the Committee to fill Director positions at the Commission. Further, the Chairman of the Audit Committee was involved in the interviews for the Internal Audit Manager position.

The membership of the Committees is tabulated below:

Name of the Committee	Members
Audit Committee	<ol style="list-style-type: none"> 1. CPA. David J.O. Nyakang'o 2. Dr. Edward N. Kobuthi (From 1st January 2023) 3. Salah Adan Abdi (1st July – 21st October 2022) 4. Mr. Abraham Koech, Alt. PS, National Treasury 5. Ms. Sharon Irungu-Asiyo, Alt. Attorney General
Finance and Strategy Committee	<ol style="list-style-type: none"> 1. John Joseph Tito (1st July –15th October 2022) 2. Mrs. Celine Anyango Orata 3. Amb. Wellington Pakia Godo, CBS 4. Mr. Abraham Koech, Alt. PS, National Treasury 5. Mr. Joseph Koskey, Executive Director
Human Resource and Risk Management Committee	<ol style="list-style-type: none"> 1. Mrs. Irene Njeri Wanyoike 2. Dr. Edward N. Kobuthi 3. Mr. Abraham Koech, Alt. PS, National Treasury 4. Ms. Sharon Irungu-Asiyo, Alt. Attorney General 5. Mr. Joseph Koskey, Executive Director
Agro-Chemical & Food Company Ltd. Steering Committee	<ol style="list-style-type: none"> 1. Dr. Edward N. Kobuthi 2. Mrs. Irene Njeri Wanyoike 3. Mrs. Celine Anyango Orata 4. Joseph Koskey, Executive Director/CEO. 5. Mr. Abraham Koech, Alt. PS, National Treasury 6. Ms. Sharon Irungu-Asiyo, Alt. Attorney General 7. Principal Secretary of Ministry Responsible for the Asset
Public Sector Owned/Controlled Hotels {Kenya Safari Lodges & Hotels (Mombasa Beach, Ngulia Lodge & Voi Lodge), Golf Hotel, Kabarnet Hotel, Mt. Elgon Lodge & Sunset Hotel} Steering Committee	<ol style="list-style-type: none"> 1. Amb. Wellington Pakia Godo, CBS 2. Dr. Edward N. Kobuthi 3. Ms. Sharon Irungu-Asiyo, Alt. Attorney General 4. Mr. Joseph Koskey, Executive Director/CEO 5. John Joseph Tito (1st July –15th October 2022) 6. Salah Adan Abdi (1st July – 21st October 2022)

Name of the Committee	Members
Banks (Consolidated Bank of Kenya Limited, Development Bank of Kenya Limited) Steering Committee	<ol style="list-style-type: none"> 1. Mrs. Celine Anyango Orata 2. CPA David J.O. Nyakang'o 3. Amb. Wellington Pakia Godo 4. Mr. Joseph Koskey, Executive Director/CEO. 5. Mr. Abraham Koech, Alt. PS, National Treasury 6. Ms. Sharon Irungu-Asiyo, Alt. Attorney General 7. Principal Secretary Responsible for the Asset
Kenya Wine Agencies Limited Steering Committee	<ol style="list-style-type: none"> 1. CPA David J.O. Nyakang'o 2. Amb. Wellington Pakia Godo, CBS 3. Mrs. Irene Njeri Wanyoike 4. Mr. Joseph Koskey, Executive Director/CEO. 5. Mr. Abraham Koech, Alt. PS, National Treasury 6. Ms. Sharon Irungu-Asiyo, Alt. Attorney General 7. Principal Secretary Responsible for the Asset
Ad Hoc Committee on Disciplinary	<ol style="list-style-type: none"> 1. Amb. Wellington Godo, CBS 2. Dr. Edward Kobuthi 3. Ms. Irene Wanyoike 4. Mr. Abraham Koech, Alt. PS, National Treasury 5. Ms. Sharon Irungu-Asiyo, Alt. Attorney General

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

Board Meetings

The meetings of the Board are held quarterly and on a need basis, particularly where the Board needs to consider and approve recommendations by the Steering Committees. In addition, the Board holds consultative meetings with the National Government, the Board and Management of the entities being privatized and other stakeholders to seek views on matters relating to the various privatization transactions.

The ED/CEO is the Secretary to the Commission; however, this role is delegated to a Corporation Secretary within the Commission. In view of good corporate governance, separation of roles between the ED/CEO and Corporation Secretary is proposed in the review of the Privatization Act. The Board work plan and calendar of meetings are prepared in advance. Adequate notice is given for meetings, and the agenda and board papers are circulated within the

stipulated timelines in line with the *Mwongozo: Code of Governance for State Corporations*.

The Board held **thirteen (13) meetings**. The Board also held one (1) retreat to deliberate on items which could not be discharged during normal Board meetings. The Chairman attended the Finance & Strategy and HR and Risk Management Committee meetings as part of his induction/familiarization session.

The number of Board and Committee meetings held during FY 2022/2023 are tabulated below:

No.	Nature of Meeting	Number of Meetings Held
1	Board Meeting	13
2	Finance & Strategy Committee Meeting	8
3	Human Resource & Risk Management Committee Meeting	16
4	Audit Committee Meeting	6
5	Ad Hoc Committee Meeting	9
6	Agro-Chemical & Food Company Ltd. Privatization Steering Committee	1
7	Public Sector Owned/Controlled Hotels Privatization Steering Committee	3
8	Banks Steering Committee	5
9	Kenya Wine Agencies Limited Privatization Steering Committee	1

Members of the Board attended the above-mentioned meetings as follows:

Board Member	Designation/ Classification	F&SHRRMC		Audit Committee		Ad Hoc Committee		Privatization Steering Committees		Commission Board		Total Number of Meetings
		No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended			
1. Faisal Abass	Chairperson	1	1	0	0	0	0	1	13	16		
2. Irene Njeri Wanyoike	Independent Member	0	15	0	9	0	9	4	12	40		
3. Dr. Edward Kobuthi	Independent Member	0	16	4	9	4	9	6	12	47		
4. John Joseph Tito	Independent Member	3	0	0	0	0	0	2	3	8		
5. David J. O. Nyakang'o	Independent Member	0	1	6	0	6	0	6	13	26		
6. Salah Adan Abdi	Independent Member	0	0	2	0	2	0	2	1	5		

Board Member	Designation/ Classification	F&SHRRMC		Ad Hoc Audit Committee		Privatization Steering Committees	Commis sion Board	Total Number of Meetings	
		No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended		
7.	Amb. Wellington P. Godo	Independent Member	8	5	0	8	10	12	43
8.	Celine Anyango Orata	Independent Member	7	5	0	0	7	12	31
9.	Sharon Irungu- Asiyu	Member, Alt. AG	0	15	6	9	10	9	49
10.	Abraham K. Koech	Member, Alt. NT	7	11	5	5	9	10	47
11.	James K. Wang'ombe	Rep. Inspectorate of State Corporation	0	0	0	0	4	0	4

Role and Functions of the Board

As guided by the State Corporations Act, Cap 446, the Privatization Act, 2005, and other relevant laws of Kenya, the Board's role provided effective leadership and control by monitoring the implementation of the Strategic Plan through quarterly reports submitted to it by Management and ensuring best practice of corporate governance. An annual board work plan touching on the Commission's core mandate, stakeholder management and institutional capacity building is developed in line with the Commission's Strategic Plan which is monitored and reviewed periodically. The financial plan which sets out the operational and financial objectives is approved by the board to facilitate its implementation.

During the period under review, the Board identified and addressed its roles and functions, which included but not limited to:

- i. Providing stewardship of the organization in the discharge of its obligations, assuming the following responsibilities;
- ii. Retaining full and effective control over the organization and monitoring Management's implementation of the organization's plans and strategies;
- iii. Ensuring ethical behaviour and compliance with relevant laws and regulations, audit and accounting principles and corporate policies and procedures;
- iv. 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;

- v. Determining the provisions to be made for capital and recurrent expenditure and reserves;
- vi. Ensure effective communication and engagement with Commission's stakeholders; and
- vii. Being committed to the principles of good corporate governance.

Board Remuneration

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

Board Induction and Training

To equip the Board members with the necessary skills to facilitate execution of the board's functions, the Board was trained in the following areas:

1. Privatization (Transactions);
2. Finance for non-finance managers;
3. Enterprise Risk Management; and
4. Corporate Governance

Board Performance

Board evaluation is key in assessing the performance, efficiency and effectiveness of a Board. The Commission undertakes regular annual performance evaluations of its Board to enable it to review its strategies to ensure continuous growth and sustainability, as well as establish skills gaps to facilitate the development of a training programme. The evaluation exercise was conducted by the State Corporations Advisory Committee (SCAC) for the period under review.

Code of Ethics

The Commission takes cognizance of the fact that good corporate governance is a key contributor to the Commission's overall long-term success. This is achieved by instilling a culture of adhering to high standards of ethics in the organization. The Board is committed to ensuring that ethics and integrity remain core to the Commission's operations. In this regard, the Board has put in place a Code of Conduct and Ethics to guide on this matter. All Board members have committed to adhering to the Code of Conduct by signing the same.

Whistle Blowing Policy

The Commission has a Whistle blowing Policy that helps Management to prevent and/or deter suspected fraudulent, immoral, unethical and malicious activities. To guide implementation, a whistle blowing portal has been developed and is accessible on its website and hotline number specifically for forwarding complaints relating to unethical conduct. Staff are sensitized on the same and the channels which they can use to report suspicious activities without being victimized.

Statutory Compliance and Governance Audit

Legal and statutory compliance was carried out internally on a quarterly basis and reported to the Board for information and approval. The approved quarterly reports were submitted to the State Corporation Advisory Committee and National Treasury. To complement this exercise, the Commission engaged an external legal compliance auditor to conduct Statutory and Legal Compliance and Governance Audit.

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:

1. Each Commission member is expected to fully disclose to the Board vide a conflict-of-interest register, any real or potential conflict of interest which comes to his or her attention, whether direct or indirect;
2. 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

Policies and procedures

The Commission has established key policies which are aligned with Government directives, National Policies and National Development Goals. Some of the key policies are highlighted here below.

Risk Management

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

IT Governance

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

Communication Policy

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

Relationship with Stakeholders

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

9. MANAGEMENT DISCUSSION AND ANALYSIS

Operational Performance

Updated due diligence work for 12 Entities

Updated due diligence work was undertaken for the following entities:

1. Agro Chemical Food & Company (ACFC);
2. Kenya Wine Agencies (KWAL);
3. International Hotels Kenya Ltd (Hilton) (IHKL);
4. Kenya Hotel Properties Ltd (Intercontinental) (KHPL);
5. Mountain Lodge (MLL);
6. Ark Limited;
7. Kabarnet Hotel;
8. Mt. Elgon Lodge Hotel;
9. Golf Hotel Ltd;
10. Sunset Hotel;
11. Kenya Safari Lodges & Hotels Ltd; and
12. Kenya Meat Commission (KMC).

Apart from ACFC and KMC, the due diligence reports were prepared by management and presented for consideration and approval by the respective Steering Committees and the Commission Board. The due diligence works for ACFC and KMC are ongoing.

Implementation of approved privatization transactions.

The Commission envisaged to implement at least four (4) approved transactions as follows:

1. International Hotels Kenya Ltd (Hilton);
2. Kenya Hotel Properties Ltd (Intercontinental);
3. Mountain Lodge; and
4. KWA Holdings East Africa Ltd (KHEAL)

The Commission communicated to KDC to notify the existing shareholders to exercise their pre-emptive rights for three (3) hotels. Regarding KHEAL, the Commission sought concurrence from the National Treasury to implement phase two (2). Approval for implementation of phase 2 had been envisaged to be concluded within 4 years after conclusion of phase 1

Review of the Privatization Legal Framework

The Commission undertook review of the Privatization Act and developed proposed amendments thereof. The amendments were presented to the Board, board comments incorporated and revised amendments submitted to the National Treasury & Planning for consideration and approval.

A technical committee on review of the Privatization Act was constituted under the leadership of the National Treasury (NT). The committee comprised representatives from NT, the Office of the Attorney General, Kenya Law Reform Commission and the Privatization Commission. Workshops were held by the technical committee to review the proposed amendments, drafting instructions

were prepared and submitted to the office of the Attorney General leading to development of the first draft Privatization Bill, 2022. The first draft Bill was reviewed by the Committee, further amendments made leading to the second and third draft Privatization Bill, 2022. Public participation was conducted in Mombasa, Kisumu, Eldoret, Machakos, Garissa, Nyeri and Nairobi with representatives from the 47 Counties on 24th January 2023 to 7th February, 2023 and a Notice published on MyGov to receive comments by the public on the same. Feedback from the public participation was incorporated into the Bill to develop the Privatisation Bill, 2023 for consideration by the Cabinet.

The Privatisation Bill, 2023 was approved by Cabinet and forwarded to Parliament for approval to facilitate its enactment.

Human Resource Management

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

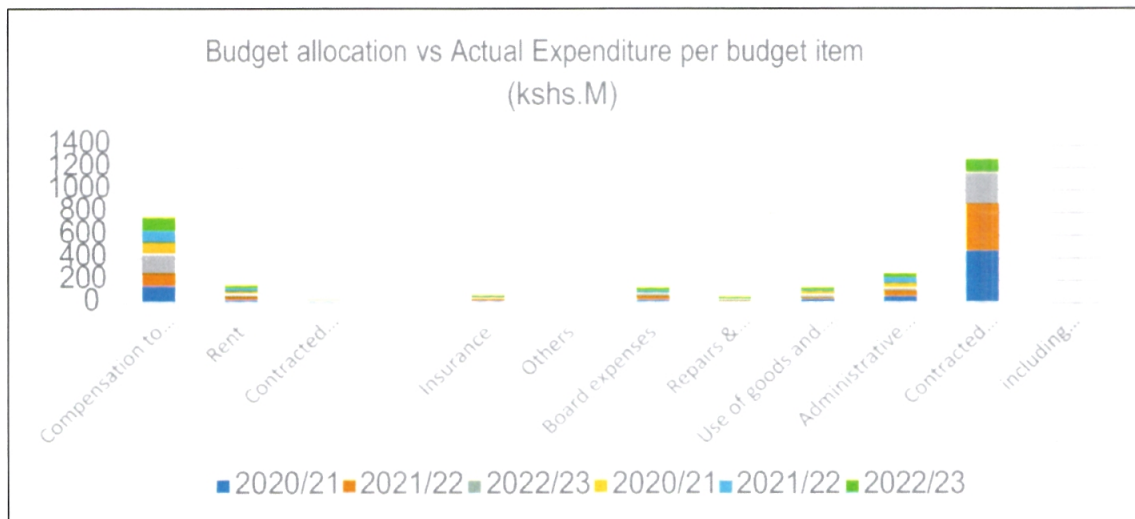
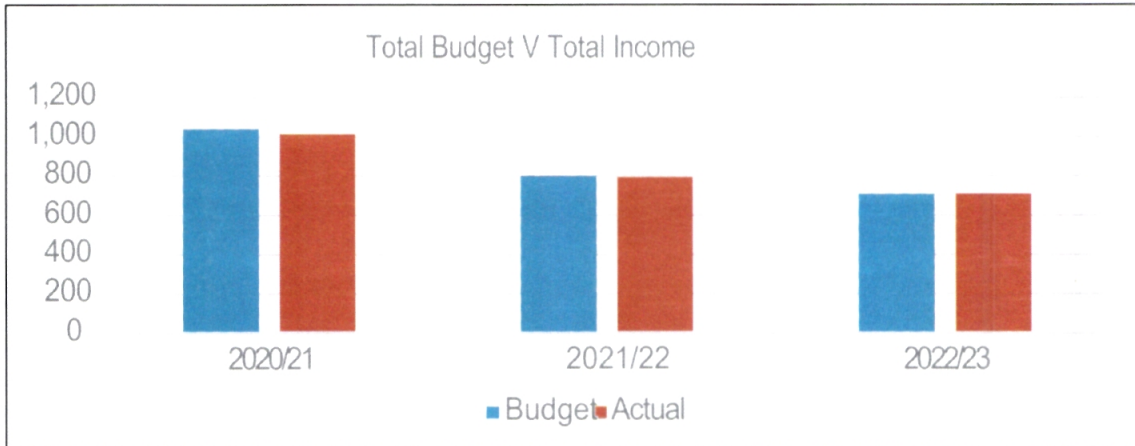
The Commission actualized the Presidential directive for internship and attachment programmes with the aim of building capacity of youth in the labour market. Towards this end, the Commission onboarded four (4) young graduates into the programme.

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

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

Summary of Financial Performance

The Commission received Kshs.139,069,890 comprising mainly exchequer releases and AIA from interest income. The expenditure for the year was kshs.361,859,250 against an approved budget of kshs.706,338,674 representing an absorption rate of 51%.



Key Projects

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

- Upgraded the email system for communication that supports online meetings and data collaborations.
- Upgraded the telephone communication system with IP Telephony (VoIP).
- Upgraded ICT Infrastructure (which includes the servers and storage devices, firewall, laptops, tablets and enterprise security architecture.)
- Implemented Access Control and CCTV.
- Implemented the E-Board for board meetings.
- Implemented Cloud data replication in Virtual environments

Compliance with Legal and Statutory Requirements

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

Major Risks

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

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

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i) Sustainability strategy and profile

We are committed to providing quality services to ensure a safe and healthy workplace for our employees and minimize potential impact on the environment. We operate in compliance with all relevant environmental legislations, and we strive to use environmental best practices.

ii) Environmental performance

The Commission embraces policies and practices that ensure we meet the needs of the present without compromising our ability to sustain future development needs and objectives in order to ensure long term sustainability of the organization. To realize this, in the period under review, the Commission put in place the following measures:

a) Paper

- Reducing the use of paper was one of the key environmental concerns for the Commission. PC has already put in place numerous measures to reduce the number of printed documents for meetings, such as implementing use of the eBoard and circulation of management meeting packs via email and sharepoint.
- When it comes to office printing, we have progressively phased out paper-based administrative processes and become paperless through the use of EDMS and ERP. This has not only reduced PC's environmental footprint, but also contributed to data security and business continuity, while saving time and resources.
- We are progressively carrying out a replacement of individual office printers with a central multifunctional printer that enables staff to only print-on-demand. This makes it necessary to confirm any request for printing with a PIN at the machine. The standard print setting is double-sided printing in black-and-white.

- Building on the good practices developed during the COVID-19 pandemic, PC has in place a set of digital tools for collaboration amongst all staff via Office 365.

b) Waste

- The Commission's garbage collection is managed by the Landlord. To facilitate this, we have in place segregated waste bins for paper, plastic and organic matter.
- In the period under review, on 21st October 2022, the Commission received a **Green Certificate of Destruction** from Enviroserve to certify that recycling of electronic waste from the Commission had not caused harm to health or environment, either within or outside Kenya.
- We continually communicated our environmental commitment to clients, customers and the public.

c) Water and Energy

The Commission operates from rented facilities and as such, it is not possible to keep track of the consumption of energy and water. This notwithstanding:

- We have promoted environmental awareness among our employees and encouraged them to work in an environmentally responsible manner; while being conscious of the environmental issues that may affect their work;
- Staff are encouraged to switch off lights whenever they leave their Offices, and measures are in place to ensure this happens;
- Taps in the Commission are energy-efficient and go off once water has been dispensed. There are no chances that a tap will remain running for long; and
- The Commission uses energy saving bulbs to light up the Offices.

iii) Employee welfare

The Commission has developed HR instruments to guide the hiring process of staff at the Commission. The Commission with the help of Officers from the Directorate of Occupational Safety and Health Services reviewed the Occupational Safety and Health Policy to align it with the Occupational Safety and Health Act, 2007. This was approved by the Commission Board and is being implemented. As part of the implementation, the two trained First Aiders and Fire Marshall attended refresher training to ensure their skills conform to current practices. The Commission also contracted an OSHA Consultant who conducted the statutory Annual OSHA Audits, subsequent to which the Premises Occupation Certificate was renewed. All the areas identified for improvement by the audits are being addressed with a view to have all of them closed by the end of Quarter 2 of the Financial Year 2023/2024.

iv) **Market place practices**

a) Responsible competition practice

Article 227 of the 2010 Constitution of Kenya requires public procurement to be set up in a manner that is fair, equitable, transparent, competitive, and cost effective. The Commission ensures there is responsible competition practices while processing procurements by: -

- Use of open tendering as the preferred procurement method for procurements of goods, works and non-consultancy services where the award criteria is lowest evaluated bidder;
- Use of Request for proposals for Consultancy Services with the default award criteria being quality and cost-based selection;
- Where alternative procurement methods are used, they are usually subjected to a competitive evaluation criterion.
- Provision of equal and fair platform for all eligible bidders to participate in the process by use of the standard tender documents which ensure bidders submit all the requisite and all the other requirements as specified;
- Undertaking market surveys to ensure there is fair and reasonable competition and ensuring bidder's offers are within market prices.
- Undertaking of post qualification evaluation on recommended successful bidders to ensure they have capacity to deliver during contract execution.

b) Responsible Supply chain and supplier relations

Responsible supply chain management practices necessitate improved relationships with suppliers in the value chain. Supplier relationship management (SRM) is the systematic approach to evaluating vendors that supply goods, materials and services to an organization, determining each supplier's contribution to success and developing strategies to improve their performance. The Commission ensures that strategic supplier relationships are maintained through responsible supply chain management by: -

- Registration of suppliers biennially and ensuring only eligible suppliers with requisite capacity to provide services are registered;
- Annual assessment of supplier performance to ensure only performing service providers are retained in the registered list;
- Timely payments of supplier's invoices;
- Ensuring the sourcing of goods, services and works processes are open, transparent and accountable with lots of integrity;
- Treating of suppliers as stakeholders in the process by being fair and according to them an equal platform to compete; and
- Honouring the terms and conditions of the contract.

c) Responsible marketing and advertisement

The Commission has instituted a responsible marketing and advertisement policy where only open, transparent, responsible, and fair practices are the order of the day and these tenets and values are communicated to the target market. This is achieved by: -

- Advertising all the Commission's open tenders and vacancies in the Gov publications;
- Compliance with applicable laws & regulations
- Treating all stakeholders with fairness and the dignity they deserve

d) Product Stewardship

Product stewardship is a product-centred approach to environmental protection. Also known as extended product responsibility (EPR), product stewardship calls on those in the product life cycle—manufacturers, retailers, users, and disposers to share responsibility for reducing the environmental impacts of products. The Commission ensures product stewardship is upheld by: -

- All equipment with radioactive emissions is disposed of in accordance with NEMA approved procedures and applicable laws;
- Embracement of green procurement;
- Ensuring consumer rights and interests are safeguarded by procuring goods/services that are environmentally friendly; and
- Joining hands with other institutions in curbing environmental degradation through planting of trees.

v) Corporate Social Responsibility / Community Engagements

The FY 2022/2023 CSR work plan was fully implemented during the year under review. The Commission carried out two activities as listed below:

a) Tree Planting

The Commission planted a total of 20,000 trees. Some of the trees were procured from Kenya Prisons; Ngeria Prison in Eldoret and Kericho Medium Prisons. In partnership with other institutions, the Commission planted 17,800 trees in Kessup Forest in Elgeyo Marakwet, while 2,200 trees were planted in Kereita Forest on 9th December 2022.

b) Sanitary Towels

During the period, the Commission also distributed sanitary towels to needy girls in Mukuru kwa Njenga.

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Privatization Commission's affairs.

i) **Principal activities**

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

ii) **Results**

The results of the Privatization Commission for the year ended June 30, 2023, are set out on page 1.

iii) **Directors**

The members of the Board of Directors who served during the year are shown on page viii to xiii. During the year, two (2) directors retired/ resigned and the Chairperson was appointed with effect from July 2022.

iv) **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



.....

Irene Kamunge
Corporation Secretary

12. STATEMENT OF DIRECTORS RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Commission's financial statements, which give a true and fair view of the state of affairs of the Entity for and as at the end of the financial year (period) ended on June 30, 2023. This responsibility includes:

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

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

The Directors are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the period ended June 30th, 2023, and of the Commission's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Privatization Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Privatization Commission's financial statements were approved by the Board on 7th September, 2023 and signed on its behalf by:



Mr. Faisal Abass
Chairman



Mr. Joseph Koskey
Executive Director / CEO

**13. REPORT OF THE INDEPENDENT AUDITOR FOR THE FINANCIAL
STATEMENTS PRIVATIZATION COMMISSION**

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

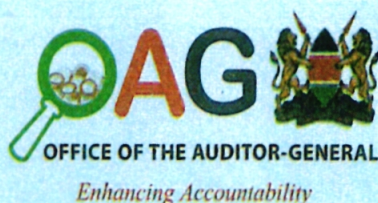
ON

PRIVATIZATION COMMISSION

**FOR THE YEAR ENDED
30 JUNE, 2023**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON PRIVATIZATION COMMISSION FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Privatization Commission set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and

other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects the financial position of the Privatization Commission as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Privatization Act, 2005 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

1. Slow Implementation of the Commission's Core Mandate

As previously reported and as disclosed under Key Entity Information and Management section of the annual report and financial statements, the Commission began its operations in February, 2008. Since then, it has successfully completed the privatization of only one public enterprise. The current approved privatization programme has twenty-five (25) public enterprises identified for privatization. The Commission has, therefore, not effectively achieved its core mandate on privatization of public enterprises despite having a fully constituted board in the financial year under review. This has resulted to a significant increase in cost of contracted services acquired from consultants assisting the Commission in production and updating of privatization status reports. It is therefore not clear whether value for money was realized for an expenditure of Kshs.91,885,940 spent on Transaction Advisory Services as disclosed in Note 11 to the financial statements.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on comparable basis of Kshs.706,362,674 and Kshs.694,142,660 respectively, resulting to an under-collection of Kshs.12,220,014, or 2% of the budget. Similarly, the Commission spent Kshs.344,872,723 against an approved budget of Kshs.616,486,226 on operational and capital expenditure resulting to an under-expenditure of Kshs.271,613,503, or 56% of the budget.

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

3. Unbalanced Budget

The statement of comparison of budget and actual amounts reflects final expenditure budget of Kshs.616,486,226 comprising recurrent expenditure budget of Kshs.603,236,226 and capital budget of Kshs.13,250,000. However, the statement reflects final revenue budget of Kshs.706,362,674 resulting in a budget imbalance of Kshs.89,876,448, which is contrary to Regulation 33(c) of the Public Finance Management (National Government) Regulations, 2015 that require a balanced budget.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Implement E-Procurement System

As previously reported, examination of procurement records and processes indicates that the Commission had not migrated its procurement systems to the e-procurement platform. This is contrary to the Presidential Directive No. IV of the Executive Order No.2 of 2018 which instructed all public procuring entities to undertake all their procurements through the e-procurement module on Integrated Financial Management Information System (IFMIS) by 01 January, 2019 and Regulation 49(2) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that the conduct of e-procurement procedures for the supply of goods, works and services shall be carried out by a procuring entity using an e-procurement system which is integrated to the State Portal.

Although Management has indicated that it has done several letters to The National Treasury and the Public Procurement Regulatory Authority (PPRA) seeking technical support to enable migration to the system, train the users and assign them logging credentials, no support has been received. The procurement function had therefore, not been migrated to the e-procurement platform at the time of the audit.

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

The audit was conducted in accordance with ISSAI 4000. The Standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance

about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Weak Controls over Assets held by Board Members

A total of ten (10) laptops issued to ex-board members costing Kshs.1,231,115 for purposes of utilization in E-board are still in their custody long after the termination of their tenure at the Commission. There are no documented internal policies regarding surrender of assets held by Board of Directors upon expiry of their term.

In the circumstances, the existence and effectiveness of internal controls on assets held by board members could not be confirmed.

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

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi

21 March, 2024

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30TH JUNE, 2023

		2022/2023	2021/2022
Revenue	Note	Kshs	Kshs
Revenue from non-exchange transactions			
Transfer from other government Entities	6	124,142,500	127,000,000
Revenue from exchange transactions			
Finance Income	7	14,927,390	25,253,322
Total Revenue		139,069,890	152,253,322
Expenses			
Employee costs	8	119,710,762	97,880,090
Medical & insurance costs	9	10,893,179	7,393,365
Board Expenses	10	28,429,982	13,136,375
Contracted services	11	110,486,303	9,810,009
Use of goods and services	12	60,494,149	60,444,086
Repairs & maintenance	13	7,959,231	6,639,752
Depreciation and amortization	14	23,885,644	28,834,552
Total Expenses		361,859,250	224,138,229
Surplus / (deficit) for the period		(222,789,362)	(71,884,907)
*Deficit attributed to the utilization of rollover funds to finance recurrent expenditure			

The notes set out on pages 6 to 26 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:



.....
Joseph Koskey
 Executive
 Director/CEO

Date 07/09/2023



.....
Virginia Kariuki
 Head of Finance

ICPAK No. 3706
Date 07/09/2023



.....
Mr. Faisal Abass
 Chairman of the
 Board

Date 07/09/2023

15. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2023

		2022/2023	2021/2022
	Note	Kshs	Kshs
ASSETS			
Current Assets			
Cash and Cash Equivalents	15	307,273,872	555,220,174
Receivables from Non-exchange Transactions	16	1,106,970	58,735,264
Inventories	17	804,228	444,622
Total Current Assets		309,185,070	614,400,060
Non- Current assets			
Property, Plant and Equipment	18	58,696,753	71,161,355
Intangible Assets- software	19	3,928,863	8,753,284
Total Non- current Assets		62,625,616	79,914,639
Total Assets		371,810,686	694,314,699
LIABILITIES			
Current Liabilities			
Trade and other payables	20	6,328,309	6,938,655
Provisions	21	56,048,232	33,913,793
Total Current Liabilities		62,376,541	40,852,448
Equity			
Revenue reserve	22	303,616,030	647,341,636
Revaluation Reserve	23	5,818,115	6,120,615
Total Equity		309,434,145	653,462,251
Total Net Assets and Liabilities		371,810,686	694,314,699



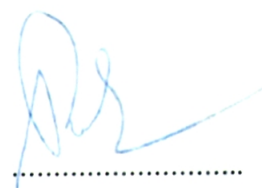
Joseph Koskey
Executive
Director/CEO

Date 07/09/2023



Virginia Kariuki
Head of Finance

ICPAK No. 3706
Date 07/09/2023



Mr. Faisal Abass
Chairman of the
Board

Date 07/09/2023

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2023

	Revenue Reserve	Revaluation Reserve	Total
	Kshs	Kshs	Kshs
Reserves as at 1st July, 2021	719,226,543	6,120,615	725,347,158
Surplus for the year	(71,884,907)		(71,884,907)
30th June, 2022	647,341,636	6,120,615	653,462,251
Reserves as at 1st July, 2022	647,341,636	6,120,615	653,462,251
Surplus for the year	(222,789,362)	0	(222,789,362)
Loss on disposal of revalued assets	0	(302,500)	(302,500)
Prior year adjustments	(14,602,000)	0	(14,602,000)
Transfer to Staff Mortgage scheme	(106,334,244)	0	(106,334,244)
30th June, 2023	303,616,030	5,818,115	309,434,145

17. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30TH JUNE, 2023

	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government Grants	6	124,142,500	127,000,000
Other income	7	14,927,390	25,253,324
Total Receipts		139,069,890	152,253,324
Payments			
Employee costs	8	119,710,762	97,880,090
Medical & insurance	9	10,893,179	7,393,365
Board Expenses	10	28,429,982	13,136,375
Contracted services	11	110,486,303	9,633,859
Use of goods and services	12(b)	54,647,874	82,535,409
Repairs & maintenance	13	7,959,231	6,639,752
Transfer to staff Mortgage		48,292,242	0
Total payments		380,419,573	217,218,850
Net cash flows from operating activities		(241,349,683)	(64,965,528)
Cash flow from investing activities			
Purchase of Assets		(6,596,621)	(19,950,917)
Net cash flows used in investing activities		(6,596,621)	(19,950,917)
Net increase/(decrease) in cash and cash equivalents		(247,946,304)	(84,916,445)
Cash and cash equivalents at period start		555,220,176	640,136,619
Cash and cash equivalents at period end		307,273,872	555,220,174

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE, 2023

	Original Annual budget	Adjustments	Final Annual budget	Actual on cumulative basis	Performance Difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Government Grants	127,000,000	(2,857,500)	124,142,500	124,142,500	0	100%
Other revenue	30,000,000	0	30,000,000	14,927,390	(15,072,610)	50%
Retained earnings		552,220,174	552,220,174	552,220,174	0	100%
Total income	157,000,000	549,362,674	706,362,674	694,142,660	12,220,014	98%
Expenses						
Employee costs	101,719,400	71,295,913	173,015,313	119,710,762	53,304,551	69%
Insurance & Medical Scheme	7,500,000	4,800,000	12,300,000	10,893,179	1,406,821	89%
Board Expenses	11,065,000	18,935,000	30,000,000	28,429,982	1,570,018	95%
Repairs and maintenance	5,020,000	11,936,453	16,956,453	7,959,231	8,997,222	47%
Use of goods and services	29,595,600	46,240,971	75,836,571	60,494,149	15,342,422	79%
Contracted services	2,100,000	293,027,889	295,127,889	110,486,303	184,641,586	38%
Total expenditure	157,000,000	446,236,226	603,236,226	337,973,606	263,215,948	56%
Surplus for the period						
Capital Expenditure						
Purchase of furniture & fittings	0	1,500,000	1,500,000	0	1,500,000	0%
Purchase of non ICT assets	0	2,250,000	2,250,000	2,106,660	143,340	94%
Purchase of ICT hardware	0	4,500,000	4,500,000	3,775,600	724,400	84%
Purchase of ICT software	0	5,000,000	5,000,000	1,016,857	3,983,143	20%
Total capital budget	0	13,250,000	13,250,000	6,899,117	6,350,883	52%

- a. The adjustments (difference between the original budget and approved budget) was caused by approval to utilize the retained earnings to finance the budget deficit.
- b. The difference between the Income as per the financial statement and income as per the budget statement is caused by the inclusion of approved rollover funds as income in the budget statement.
- c. There is no difference between income as per financial performance and income as per the budget statement.

19. 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 formulating, managing and implementing 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.

Preparing 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 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, 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, the 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. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<ul style="list-style-type: none"> • 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.
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <p><i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <p><i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <p>IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)**ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.**

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

iii. Early adoption of standards

Privatization Commission did not early – adopt any new or amended standards in the financial year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a) Revenue recognition****i) Revenue from non-exchange transactions****Transfers from other government entities**

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

ii) Revenue from exchange transactions

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income

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

b) Budget information

The National Assembly approved the original budget for FY 2022-2023 on 30th June 2022. Subsequent revisions or additional appropriations will be 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 an accrual basis using a classification based on the nature of expenses in the statement of financial performance. In contrast, the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

c) Taxes

Current Income Tax

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

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d) Property, Plant and Equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Privatization Commission recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration, it is initially measured at its fair value.

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

The annual depreciation rates in use are:

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

e) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in non-exchange 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 a finite basis.

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

f) Inventories

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

g) Provisions

Provisions are recognized when Privatization Commission has a present

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

h) Contingent Liabilities

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

i) Contingent Assets

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

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

j) Nature and Purpose of Reserves

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

Revenue Reserves

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

Revaluation Reserves

Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from those determined using fair values at the reporting date. The Commission carries out a revaluation once the asset has been fully depreciated and they are still useful to the Commission.

Any increase arising on the revaluation is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in the profit or loss, in which case the increase is credited to the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

profit or loss to the extent of the decrease previously expensed.

k) Changes in Accounting Policies and Estimates

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

l) Employee Benefits

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

m) Foreign Currency Transactions

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

n) Related Parties

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

o) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

Bank account balances include amounts held at the Central Bank of Kenya and various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short-term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of the financial year

p) Comparative Figures

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

q) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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.

Useful Lives and Residual Values

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

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

Provisions

Provisions were raised, and management determined an estimate based on

NOTES TO THE FINANCIAL STATEMENTS (Continued)

available information. Additional disclosure of these estimates of provisions is included in Note 20.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. The provision amount relates to unpaid gratuity, salary, and ongoing contracts related to the 2022/23 financial year.

6. TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Description	2022/2023	2021/2022
	KSh	KSh
Unconditional Grants		
Operational Grant	124,142,500	127,000,000
Total Government Grants and Subsidies	124,142,500	127,000,000

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

Name of the Entity sending the Grant	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount recognised In capital fund.	Total transfers 2022/2023	2021/2022
	KShs	KShs	KShs	KShs	KShs
The National Treasury	124,142,500	0	0	124,142,500	127,000,000
Total	124,142,500	0	0	124,142,500	127,000,000

7. FINANCE INCOME

Description	2022/2023	2021/2022
	KSh	KSh
Interest income	14,867,590	23,836,652
Proceeds from disposals	59,800	0
Interest income from staff mortgage and car loan	0	1,416,670
Total Finance income	14,927,390	25,253,322

8. EMPLOYEE COSTS

	2022/2023	2021/2022
	KSh	KSh
Basic salaries	72,183,215	63,776,222
Casuals/Temporary Employees	150,012	399,708
House allowance	17,549,483	10,635,000
Remunerative allowance	1,200,000	1,200,000
Responsibility allowance	222,000	222,000
Acting/special duty allowance	347,650	226,539

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Commuter Allowance	2,974,241	2,580,000
Employer contribution to Pension Fund	8,006,183	6,819,756
Leave allowance	2,280,952	2,099,460
Telephone allowance	911,233	293,000
Non-practicing Allowance	880,000	360,000
Gratuity	12,814,633	9,200,005
Employer contribution to NSSF	191,160	68,400
Total	119,710,762	97,880,090

9. INSURANCE AND MEDICAL EXPENSES

	2022/2023	2021/2022
	KSh	KSh
Medical Scheme	9,901,208	6,635,323
Insurance	991,971	758,042
Total	10,893,179	7,393,365

10. BOARD EXPENSES

	2022/2023	2021/2022
	Kshs	Kshs
Directors Emoluments	17,886,451	7,304,515
Chairman's Honoraria	1,032,774	485,516
Other board expenses	9,510,757	5,346,344
Total	28,429,982	13,136,375

10 a. Statutory committee meeting

	2022/2023	2021/2022
	KSh.	KSh.
Directors Emoluments	15,046,451	299,032
Chairman's Honoraria	1,032,774	485,516
Other Board expenses	8,760,811	177,896
Total	24,840,036	962,444

10 b. Steering committee meetings

	2022/2023	2021/2022
	KSh.	KSh.
Sitting allowances	2,840,000	0
Other Board expenses	749,946	0
Total	3,589,946	0

11. CONTRACTED SERVICES

	2022/2023	2021/2022
	KSh	KSh
Contracted security services	988,320	568,107
Contracted cleaning services	813,738	779,301
General consultancy	3,933,680	8,286,451
Transaction advisory services	91,885,940	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Transaction adverts	410,090	0
Stakeholder engagements	12,454,535	176,150
Total	110,486,303	9,810,009

12. USE OF GOODS AND SERVICES

	2022/2023	2021/2022
	KSh	KSh
Domestic travel	5,400,938	4,780,995
Training expenses, including capacity building	10,204,194	10,077,067
Welfare expenses	578,766	866,227
Telephone	1,591,520	1,108,613
Internet connections	730,800	694,140
Courier services	24,068	10,020
Publishing and printing	434,000	403,920
Newspapers and magazines	260,940	180,192
Fund management expenses	0	1,416,671
Promotional Costs	499,108	414,880
Rental	26,292,662	26,717,154
Hospitality and refreshments	2,477,603	1,618,990
General office supplies	345,045	751,085
Media Adverts	615,135	829,136
Detergents	99,878	96,775
Staff uniform	90,558	360,928
Refined fuels & lubricants	2,025,998	1,374,359
Audit fees	951,200	672,800
Professional membership	347,633	271,060
Bank service commission and charges	160,009	127,180
Corporate Social Responsibilities	486,090	474,185
Expenses minor assets	0	46,550
Taxation costs	6,698,859	7,150,996
Computer stationery	179,145	444,785
Total General Expenses	60,494,149	60,444,086

NOTES TO THE FINANCIAL STATEMENTS (Continued)**12 b. Use of goods and services**

	2022/2023	2021/2022
	Kshs	Kshs
Domestic travel & accommodation	4,921,615	4,780,995
Welfare expenses	578,766	866,227
Telephone	1,563,680	1,108,613
Internet connections	730,800	694,140
Courier & postal services	24,068	10,020
Publishing & printing	434,000	403,920
Newspapers and magazines	260,940	180,132
Staff car loan & mortgage fund admin fees	0	1,416,671
PR & Promotional cost	499,108	414,880
Rental	26,292,662	27,169,554
Hospitality and refreshments	2,230,048	1,618,990
General office supplies	345,045	306,463
Media adverts	615,135	829,136
Detergents	99,878	96,775
Staff uniform	90,558	360,928
Refined fuels & lubricants	2,025,998	1,374,359
Audit fees	951,200	0
Professional/Club membership	347,633	271,060
Bank service commission and charges	160,009	127,180
Corporate Social Responsibilities	486,090	474,185
Expensed Minor assets	0	46,550
Tax paid during the year	4,547,963	29,286,569
Training expenses including capacity building	7,263,533	10,077,067
Supplies & accessories for computer & printers	179,145	620,935
Total	54,647,874	82,535,409

NOTES TO THE FINANCIAL STATEMENTS (Continued)**13. REPAIRS & MAINTENANCE**

	2022/2023	2021/2022
	KSh	KSh
Maintenance expenses- Motor vehicles	1,825,793	544,658
Maintenance expenses- Office equipment	287,730	108,265
Maintenance expenses- Furniture & fittings	19,860	119,671
Maintenance expenses- buildings	178,942	1,185,619
Maintenance expenses- IT equipment & computers	5,646,906	4,681,539
Total	7,959,231	6,639,752

14. DEPRECIATION AND AMORTIZATION EXPENSES

	2022/2023	2021/2022
	Kshs	Kshs
Property, plant and equipment	18,044,368	19,696,805
Intangible assets - software	5,841,276	9,137,747
Total	23,885,644	28,834,552

15. CASH AND CASH EQUIVALENTS

Description	2022/2023	2021/2022
	KSh	KSh
Current Accounts	261,107,580	447,405,004
Staff Gratuity	46,018,794	71,139,371
Petty cash	147,498	79,887
Total	307,273,872	518,624,262

15 (A) DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

No.	Financial Institutions/Banks	Account No	2022/2023	2021/2022
A)	Current Account			
	Co-operative Bank	011411890890	183,514,685	339,389,907
	KCB	1104820730	77,592,895	108,015,097
B)	Staff Car Loan/Mortgage		0	0
	HFC	2299583401-0	0	36,595,912
C)	Savings Account		0	0
	KCB- KICC	1223199975	46,018,794	71,139,371
E)	Others		0	
	Cash-on-hand and in transit	Cashbox	147,498	79,887
	Total		307,273,872	555,220,174

Components of Cash and cash equivalents are not restricted.

16. RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS

	2022/2023	2021/2022
	KSh	KSh
Imprests	869,441	607,199
Staff debtors	0	540,400
Staff Mortgage and car loan	0	57,587,665
Trade debtors	237,529	
Total	1,106,970	58,735,264

NOTES TO THE FINANCIAL STATEMENTS (Continued)**17. INVENTORIES**

	2022/2023	2021/2022
	Kshs	Kshs
Office stationery	604,228	444,622
Computer stationery	200,000	
Total	804,228	444,622

18. PROPERTY, PLANT AND EQUIPMENT

Cost/Valuation	Motor Vehicles	Furniture and fittings	Equipment	Computers	Totals
As at 1 st July 2021	20,120,000	78,209,991	3,874,485	18,268,260	120,472,736
Additions		5,602,536	51,000	4,544,499	10,198,035
Total as at 30th June 2022	20,120,000	83,812,527	3,925,485	22,812,759	130,670,771
Depreciation and impairment					
As at 1 st July 2021	12,870,000	10,822,749	2,007,990	14,111,872	39,812,611
Charge for the year	3,625,000	10,476,566	490,686	5,104,553	19,696,805
Total as at 30th June 2022	16,495,000	21,299,315	2,498,676	19,216,425	59,509,416
NBV as at 30th June 2022	3,625,000	62,513,212	1,426,809	3,596,334	71,161,355
As at 1st July 2022	20,120,000	83,812,527	3,925,485	22,812,759	130,670,771
Additions			2,106,660	3,775,600	5,882,260
Disposals		(390,000)	(820,000)	(852,283)	(2,062,283)
Total as at 30th June 2023	20,120,000	83,422,528	5,212,145	25,736,076	134,490,748
Depreciation and impairment					
As at 1st July 2022	16,495,000	21,299,315	2,498,676	19,216,425	59,509,416
Charge for the year	3,625,000	10,427,816	651,519	3,340,033	18,044,368
Depreciation on disposal		(292,500)	(615,000)	(852,287)	(1,759,787)
Total as at 30th June 2023	20,120,000	31,434,631	2,535,194	21,704,171	75,793,995
NBV as at 30th June 2023		0 51,987,897	2,676,951	4,031,905	58,696,753

There are no restrictions on the assets. Included are assets worth Kshs. 35,456,796 which have been fully depreciated, but the assets are still useful to the organization

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. INTANGIBLE ASSETS –SOFTWARE

	2022/2023	2021/2022
	Kshs	Kshs
Cost		
At beginning of the year	28,923,230	19,170,348
Additions for the year	1,016,857	9,752,882
At end of the year	29,940,087	28,923,230
Amortization		
At beginning of the year	20,169,946	11,032,199
Charge for the year	5,841,278	9,137,747
At end of the year	26,011,224	20,169,946
Net Book Value	3,928,863	8,753,284

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

20. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2022/2023	2021/2022
	Kshs	Kshs
Trade creditors	3,328,572	4,269,058
Other payables	2,999,737	2,669,597
Total	6,328,309	6,938,655

21. CURRENT PROVISIONS

	Staff Gratuity	Other provision	Total	2021/2022
	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	21,877,087	12,036,706	33,913,793	39,959,661
Additional provisions raised	12,814,632	20,621,347	33,435,979	12,205,983
Provisions Utilized	(1,679,482)	(9,622,057)	(11,301,539)	(20,251,851)
Closing Balance	33,012,237	23,035,996	56,048,233	33,913,793

22. REVENUE RESERVES

	2022/2023	2021/2022
	Kshs	Kshs
Opening balances	647,341,636	719,226,543
Deficit	(222,789,362)	(71,884,907)
Transfer to mortgage account	(106,334,244)	
Prior year adjustments*	(14,602,000)	
Total	303,616,030	647,341,636

**Prior year adjustment relates to house allowance arrears for the period 2015/2016- 2020/2021 whose payment was delayed as a result of prolonged delay in appointment of Commission Members.*

NOTES TO THE FINANCIAL STATEMENTS (Continued)**23. REVALUATION RESERVE**

	2022/2023	2021/2022
	Kshs	Kshs
Opening balances	6,120,615	6,120,615
Reductions*	(302,500)	0
Total	5,818,115	6,120,615

24. CASH GENERATED FROM OPERATIONS

	2022/2023	2021/2022
	Kshs	Kshs
Surplus/deficit for the year	(222,789,362)	(71,884,907)
Loss on disposal	(302,500)	00
Prior year adjustments	(14,602,000)	
Transfer to staff Mortgage	(106,334,246)	
Depreciation & amortization	23,885,644	28,834,552
	(320,142,464)	(43,050,355)
Changes in working capital		
Inventory	(359,606)	159,263
Receivables	57,628,293	(7,666,153)
Payables	21,524,094	(14,408,283)
	78,792,781	(21,915,173)
Net cash flows from operating activities.	(241,349,683)	(64,965,528)

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**Financial Risk Management (Continued)**

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

	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Bank Balances	307,273,862	307,273,862	-	-
Receivables from Non-Exchange Transactions	1,106,970	1,106,970	-	-
At 30 June 2022				
Bank Balances	555,220,174	555,220,174	-	-
Receivables from Non-Exchange Transactions	58,735,264	58,735,264	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Commission has a significant concentration of credit risk on amounts due from non-exchange transactions. The board of directors sets the organization's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity Risk Management

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
Financial Risk Management (Continued)

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
As at 30 June 2023				
Trade payables	3,125,800	0	202,772	3,328,572
Provisions	1,821,889	2,303,870	4,310,352	8,436,111
Payroll deductions	2,997,620	0	0	2,997,620
Employee benefit obligation	16,191,109	3,441,448	27,981,681	47,614,238
	23,038,347	5,745,318	28,184,453	62,376,541
As at 30 June 2022				
Trade payables	691,910	358,090	3,219,059	4,269,059
Provisions	1,154,409	561,000	10,275,616	11,991,025
Payroll deductions	2,659,776	-	55,500	2,715,276
Employee benefit obligation	768,889	2,306,666	18,801,533	21,877,088
	5,274,984	3,225,756	32,351,708	40,852,448

(iii) Market risk

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management (Continued)

(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:

	2022/2023	2021/2022
	Kshs	Kshs
Revaluation reserve	5,818,115	6,120,615
Retained earnings	303,616,030	647,341,636
Total funds	309,434,145	653,462,251

26. RELATED PARTY DISCLOSURES

Nature of related party relationships

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

Government of Kenya

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

Other related parties include:

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)**Related Party Disclosures (Continued)**

	2022/2023	2021/2022
	Kshs	Kshs
Transactions with related parties		
Purchase from related parties		
Rent paid to government agencies	26,292,662	26,717,155
Training and conferences paid to government agencies	1,481,067	526,280
Fuel and lubricants	1,375,998	695,209
PPE materials	0	148,800
Internet	730,800	694,140
Telephone expenses	166,800	144,415
Advertising	615,135	829,137
Courier services	24,068	10,020
External Audit	951,200	672,800
Local transport	1,670,938	954,215
	33,308,668	31,392,171
a) Grants from the Government		
Grants from National Government	124,142,500	127,000,000
Total	124,142,500	127,000,000
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	119,710,762	101,140,833
Total	119,710,761	101,140,833
c) Key management compensation		
Directors' emoluments	28,429,982	2,486,469
Compensation to the CEO	9,948,000	9,436,800
Compensation to key management	49,433,364	38,914,771
Total	87,811,346	50,838,040

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 2023/24. They had been approved and/or contracted.

	2023/2024	2022/2023
	Kshs	Kshs
Approved and contracted		
Transaction related costs	174,641,949	270,427,889
Approved and not contracted		
Acquisition of tangible assets	0	6,000,000
Acquisition of intangible assets	0	5,000,000
Staff Mortgage and car loan	0	49,000,000
	174,641,949	323,000,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

28. DIVIDENDS/SURPLUS REMISSION

The entity did not submit any surplus during the financial year 2022/2023

29. TAXATION

During the year the Commission did not pay Corporation tax but a provision of 30% has been made on income generated in 2022/23 financial year.

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).

20. 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

21. APPENDICES

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	Unqualified Opinion	N/A	N/A	N/A



.....
Executive Director/CEO
Date: 07/09/2023

APPENDIX II: PROJECTS IMPLEMENTED

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

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

Privatization Commission didn't implement any project funded by donor funds

APPENDIX III: STATUS OF PROJECTS COMPLETION

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

Privatization Commission didn't implement any project during the year

APPENDIX IV: INTER-ENTITY CONFIRMATION LETTER

Privatization Commission
P.O. Box 34542-00100
Nairobi

The Privatization Commission wishes to confirm the amounts disbursement to you as at 30th June 2023 as indicated below. Please compare the amounts disbursed to you with the amounts you received and populate the Column E in the table below.

Confirmation of amounts received by							
Ref No	Date Disbursed	Recurrent (A)	Develop ment (B)	Inter-Ministe rial (C)	Total D= A+B+C	Amount Received by Privatization Commission As at 30 th June 2022 (E)	Differences Kshs. F=D-E
Q 1	24/10/22	31,750,000	0	0	31,750,000	31,750,000	0
Q 2	13/12/22	31,750,000	0	0	31,750,000	31,750,000	0
Q 3	23/03/23	31,750,000	0	0	31,750,000	31,750,000	0
Q 4	25/05/23	28,892,500	0	0	28,892,500	31,750,000	2,857,500
Total		124,142,500			124,142,500	127,000,000	2,857,500

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

Head of Accounts department
Privatization Commission

Name Virginiah Kariuki Sign 

Date 7/9/23



PRIVATIZATION COMMISSION

Enhancing Kenya's Productive Capacity

**Privatisation Authority
Social Security House-Annex**

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