

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 20 MAR 2019

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OF

HON. ADEN DUALE
LEADER OF MAJORITY

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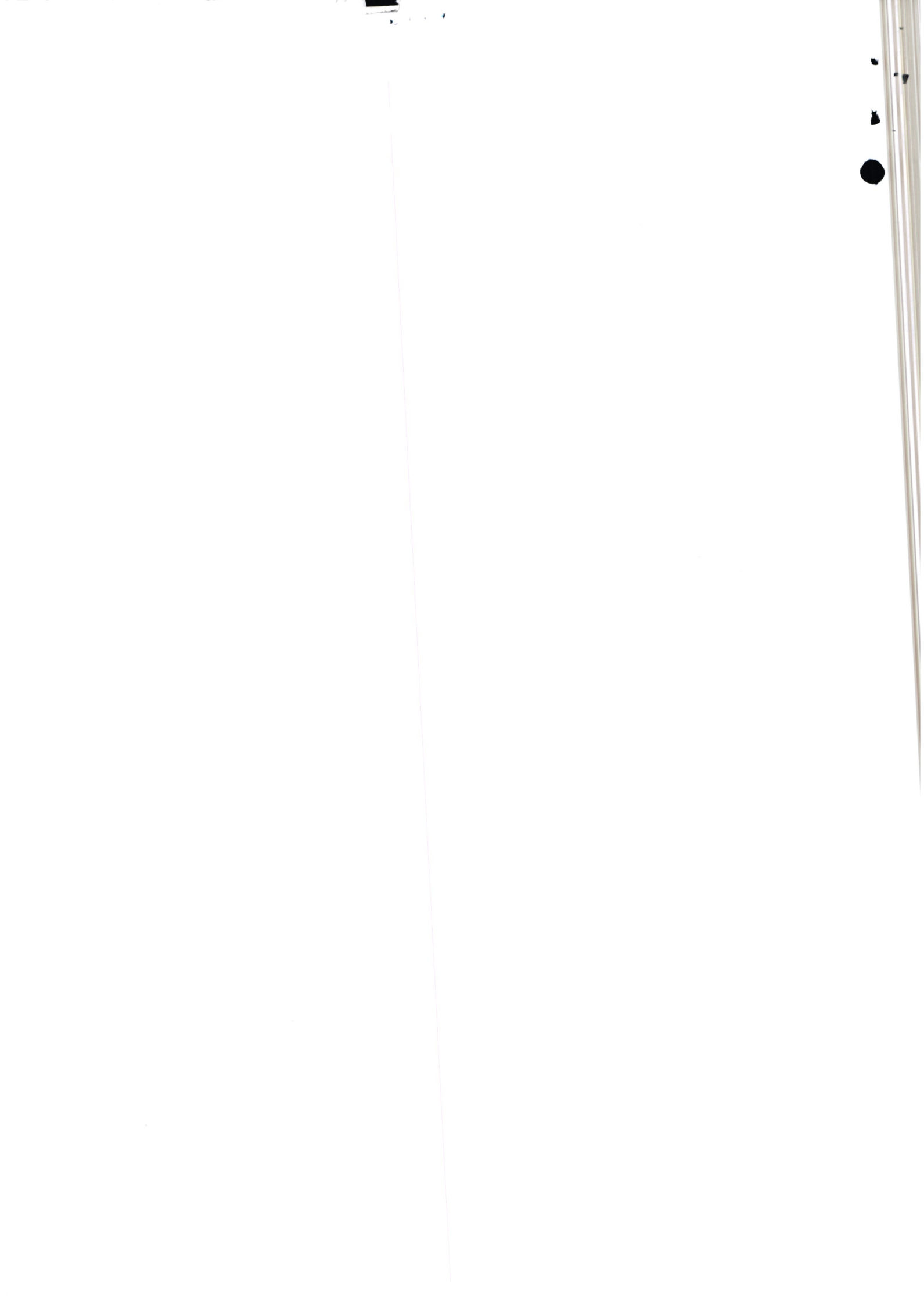
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ON

THE FINANCIAL STATEMENTS OF
KENYA INVESTMENT AUTHORITY

FOR THE YEAR
ENDED 30 JUNE 2018





KENYA INVESTMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2018

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

Kenya Investment Authority
Annual Reports and Financial Statements
For the year ended June 30, 2018

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I. KEY AUTHORITY INFORMATION AND MANAGEMENT

(a) Background information

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

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

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

(b) Principal Activities

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

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

The Authority's strategic focus is to be a key player in the realization of Kenya's Vision 2030, by ensuring strategic partnership and cooperation with national and county governments; as well as other relevant stakeholders. The key strategic areas of focus include:

1. Investment Generation and Investor Focus
2. Influence
3. Investment Climate
4. Institutional Strengthening & Capacity Development.
5. Partnership & Collaboration

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Dr. Moses Ikiara, MBS
2.	General Manager-Investor Services	Mr. Mwalimu Musee
3.	General Manager-Investment Promotion and Business Development Services	Mr. Pius Rotich

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No.	Designation	Name
4.	General Manager-Research, Policy Advocacy & Planning	Mr. Robert Bwire
5.	General Manager-Finance and Administration	Ms. Donna Atieno
6.	General Manager- Legal and Corporate Services	Ms. Olivia Rachier

(e) Fiduciary Oversight Arrangements

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

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

(f) Authority Headquarters

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

(g) Authority Contacts

Telephone: (254) 730 104200
E-mail: info@investmentkenya.com
Website: www.investmentkenya.com

(h) Authority Bankers

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



(i) Independent Auditors




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

(j) Principal Legal Adviser




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




II. THE BOARD OF DIRECTORS




<p>1. Mrs. Ann Wangari Kirima – Muchoki Non - Executive Chairperson</p>  <ul style="list-style-type: none"> • MBA (Project Finance) • BA (Hons) Politics & Economics • MSc Commercial Property Management • ARICS (Associate Member of the Royal Institute of Chartered Surveyors) • Registered Estate Agent. 	<p>Date of Birth: 24th February, 1968</p> <p>2013 to date - Chairperson 2009 to date - Director, KCB Rwanda 2010 to date - Director, Migaa 2012 to date - Director, Mambui Golf Resort 2004 to date - Director, Added Value Group Ltd 2000 to date - Director, A Chartered Touch 1994 to 2000 -Managing Director, Regent Management Ltd.</p> <p>Has over twenty (20) years' experience in real estate and property development.</p>
<p>2. Ms. Sanda Ojiambo Private Sector Board Member</p>  <ul style="list-style-type: none"> • M.A. Public Policy and Development Economics • B.A. Economics and International Development 	<p>Date of Birth: 15th September, 1972</p> <p>Policy Analyst and Economist by training.</p> <p>Currently works as Head of Corporate Responsibility at Safaricom.</p> <p>Has 17 years' experience in policy analysis, economic development and business sustainability in the NGO, UN and Corporate sectors.</p>
<p>3. Mrs. Esther Bungei Private Sector Board Member</p>  <ul style="list-style-type: none"> • B. Ed – University of Nairobi • Leadership Courses 	<p>Date of Birth: 3rd October, 1953</p> <p>Chairperson - Aldai Technical Institute Member of Locational and SubCounty Development Committee, Aldai Girls Boarding and Kaploleo High School, Savani Secondary School and St. Paul Theological College.</p> <p>Treasurer St. Stephen's ACK Ibanja Parish County Taskforce on Agri. Institutions – Nandi</p>

<p>4. Dr. Gachao Kiuna Private Sector Board Member</p>  <ul style="list-style-type: none"> • PhD in Biotechnology • BSC degree (Hons) 	<p>Date of Birth: 22nd December, 1977</p> <p>Executive Director – Aqua Power</p> <p>Previously worked as:</p> <ul style="list-style-type: none"> • CEO of Trans-Century Group • Associate Principal in McKinsey's Sub-Saharan Africa office • Engagement Manager from McKinsey that led the development of the Vision 2030 strategy together with the Government of Kenya, private sector, local and international agencies and many other key stakeholders in the Country <p>Chairman, Finance, Human Resource and Administration Committee</p>
<p>5. Mr. Taib. A. Taib Private Sector Board Member</p>  <ul style="list-style-type: none"> • Advocate of the High Court of Kenya • University of Nairobi- Bachelor of Laws (LLB), Dip. Law, Law, Honors 	<p>Date of Birth - 2nd September 1964</p> <p>January 1993 to date - Managing Partner - Taib .A. Taib Advocates</p> <p>March 1993 to June 1996 - Mayor of Mombasa - City of Mombasa</p> <p>January 1989 – December 1992 Partner - Marende, Taib & Company, Advocates</p>
<p>6. Mr. Peter Njoka Private Sector Board Member</p>  <ul style="list-style-type: none"> • Bachelor of Science (Hons.) • Private Equity Training Courses 	<p>Date of Birth: 16th June, 1970</p> <p>Currently a Partner at Rhone Partners LLP, Kenya.</p> <p>Private Equity specialist with over 20 years' private equity and corporate finance experience in East Africa.</p> <p>He is a Board Member of several companies including Brookside Africa Ltd, Deacons East Africa PLC, Kenya Clay Products Ltd and Tim sales Holdings</p> <p>Chairman, Innovation Committee</p>

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<p>7. Principal Secretary, Ministry of Industry, Trade and Co-operatives –Ms. Betty Maina</p>  <ul style="list-style-type: none"> • MSc Degree in Development Administration • Bachelor of Science Degree (Agricultural Economics) 	<p>Date of Birth: 3 April, 1965 February 2018 to Date- Principal Secretary for Industrialization</p> <p>CEO of the Kenya Association of Manufacturers, one of the country's leading business associations with more than 800 members for 11 years until June, 2015; and CEO of the Institute of Economic Affairs – an applied policy think tank. Betty's career spans nearly 20 years in public policy research and advocacy. Currently serves on the board of the European Centre for Development Policy Management (ECDPM) and the Society for International Development among others.</p>
<p>8. Principal Secretary, Ministry of Devolution & Planning (Alternate Member - Mr. Dominic Yegon Kiplangat)</p>  <ul style="list-style-type: none"> • Master of Arts Degree (Economics Policy Management) • Bachelor of Science Degree (Agricultural Economics) 	<p>Date of Birth: 15 February 1985</p> <p>2015 to date: Economist in the Ministry of Devolution and Planning (State Department for Devolution)</p> <p>2010 to 2013: Extensive training and experience in Economic Development, Policy Formulation and Analysis and Strategic Planning, National Development and Vision 2030.</p>
<p>9. Principal Secretary, Ministry of Devolution and Planning (Alternate Member- Mr. Mutuku Muleli)</p>  <ul style="list-style-type: none"> • MSC in International Economics • MSC in Water Science Policy • BA Economics 	<p>Date of Birth: 08 November 1981</p> <p>2008 to date: Economist/Senior Economist, Ministry of Devolution and Planning</p>




<p>10. Principal Secretary, National Treasury (Alternate Member - Mr. Wanyambura Mwambia)</p>  <ul style="list-style-type: none"> • Master of Arts (Development Economics) 	<p>Date of Birth: 10th January, 1956</p> <p>2010 to date: Deputy Director Economic Affairs National Treasury</p>
<p>11. Principal Secretary, Office of the President (Alternate Member- Mr. William K. Mahinda)</p>  <ul style="list-style-type: none"> • Master of Arts (Economics) • B.A (Economics) 	<p>Date of Birth: - 22nd May 1960</p> <p>2005 to date – Secretary/ Policy Cabinet office.</p> <p>Director Commission of Higher Education, KIPPRRA, KenInvest, LAPPSET</p> <p>2001-2005 – Provincial Coordinator – NACC</p> <p>1997 – 2001 Provincial Plan Office.</p>
<p>12. Principal Secretary, Ministry of Lands and Physical Planning (Alternate Member- Mr. Augustine K. Masinde, EBS, MBS)</p>  <ul style="list-style-type: none"> • Master of Arts (Urban and Regional Planning) • Corporate Member of both the Kenya Institute of Planners and Architectural Association of Kenya(Town Planners Chapter) • Member of the International Society for City and Regional Planners (ISOCARP). • Registered Physical Planner 	<p>Date of Birth - 15th July, 1962</p> <p>Chief Government Adviser on Physical Planning</p> <p>Chairman of the Physical Planners Registration Board</p> <p>National Director of Physical Planning</p> <p>Chairman, Audit and Governance Committee</p>




<p>13. Principal Secretary, Ministry of Agriculture (Alternate Member - Mr. Samuel Gicheru)</p>  <ul style="list-style-type: none"> • Masters in Economics 	<p>Date of Birth: 26th January 1970</p> <p>Currently works at the Ministry of Agriculture</p>
<p>14. Mr. Fanuel Kidenda – Chief Executive, Export Processing Zones Authority (EPZA)</p>  <ul style="list-style-type: none"> • MBA (Strategic Management) • B. Com (Marketing) • Computer Programming 	<p>Date of Birth - 8th April 1974</p> <p>2015 – Chief Executive Officer, EPZA</p> <p>2013 to 2015 General Manager, Operations and Investor Support, EPZA</p> <p>2013 – Resource Mobilization Manager/ Personal Assistant to CEO</p> <p>2001 – 2012 Promotions Executive, EPZA</p>
<p>15. Mr. Peter K. Biwott - Chief Executive, Export Promotion Council (EPC)</p>  <ul style="list-style-type: none"> • Master's Degree in International Development Studies majoring in Economics of Development and Quantitative Economic Policy Analysis. • Professional qualifications in Macroeconomic Policy Analysis and Research • Member of the Kenya Institute of Management (KIM). 	<p>Date of Birth – 21st July, 1976</p> <p>Appointed CEO of the Export Promotion Council in April, 2017.</p> <p>Previously held senior positions in trade, policy analysis and advocacy, research and development with leading institutions that include Kenya Association of Manufacturers (KAM), Kenya National Chamber of Commerce and Industry (KNCCI), Commission on Revenue Allocation (CRA), Kerio Valley Development Authority (KVDA), Kenya Institute of Public Policy Research and Analysis (KIPPRA) and the Ministry of State for Planning, National Development and Vision 2030.</p>

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<p>16. Principal Secretary, Ministry of Industry, Trade and Co-operatives – Mr. Patrick Nduati Mwangi</p>  <ul style="list-style-type: none"> • Master of Science in Water and Environmental Management • Bachelor of Science Degree (Civil Engineering) • Degree in Finance and Finance Law- University of London 	<p>Date of Birth -</p> <p>March 2017 to February 2018 - Principal Secretary, State Department of Investment and Industry</p> <p>December 2015 to March 2017 - Principal Secretary in the Ministry of Water and Irrigation</p> <p>He has over 20 years of local and international work experience in the areas of Industrial development; infrastructure and policy development; water and sanitation sector; primary health; environmental health and Agriculture programs having worked in various positions.</p>
<p>17. Dr. Moses Ikiara - Managing Director, Kenya Investment Authority</p>  <ul style="list-style-type: none"> • PhD (Environmental and Natural Resource Economics) • Master of Arts (Economics) • B. Sc (Agriculture) 	<p>Date of Birth – 3rd September, 1965</p> <p>2013 to date - Managing Director, KenInvest</p> <p>2006 to 2012 - Executive Director, (KIPPRA)</p> <p>2005 to 2006 - Ag. Executive Director, KIPPRA</p> <p>2003 to 2005 - Senior Analyst & Programme Coordinator, KIPPRA</p> <p>2000 to 2003 - Policy Analyst, KIPPRA</p> <p>1998 to 2000 – School of Environmental Studies, Moi University.</p> <p>Secretary to the Board.</p>

III. MANAGEMENT TEAM

<p>1. Dr. Moses Ikiara</p>  <ul style="list-style-type: none"> • PhD (Environmental and Natural Resource Economics) • Master of Arts (Economics) • Bachelor of Science (Agriculture) 	<p>Managing Director</p>
<p>2. Mr. Mwalimu Musee</p>  <ul style="list-style-type: none"> • Bachelor of Arts (3.1.1) (Economics) 	<p>General Manager, Investor Services</p>
<p>3. Mr. Pius Rotich</p>  <ul style="list-style-type: none"> • Master of Business Administration (International Marketing) • Bachelor of Education • Marketing Society of Kenya (MSK) member 	<p>General Manager-Investment Promotion and Business Development Services.</p>

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

IV. CHAIRPERSON'S STATEMENT

On behalf of the KenInvest Board of Directors, I am pleased to present to you KenInvest's Annual Report for the Financial Year 2017-2018.

KenInvest continued to pursue her strategic objectives as spelt out in the strategic plan 2013-17. I note with appreciation that despite significant challenges, the Authority managed to attract new investment projects worth over KShs. 41.28 billion. It is worth noting that the country has made great strides in continuously reviewing the investment environment, Kenya has climbed up to position 80 in 2017 in the World Bank Ease of Doing Business Report. In the Global Competitiveness Index Ranking by World Economic Forum, Kenya has moved 8 places in 2 years leading to 2017. Furthermore, the country was ranked 3rd most reformed global economy in 2017. These are just but a sample of many achievements that qualify Kenya as the investment destination of choice.

Moreover, the Authority participated in various high-profile events including the Africa- France Business Forum and the 11th Annual Forum of Developing Countries Investment Negotiators among others. These events gave Kenya and KenInvest high visibility.

During the review period, the Authority relocated to a modern building at the UAP Old Mutual Tower 14th and 15th Floor, where the One Stop Centre (OSC) for investment facilitation is now operational with the Business Registration Services, Kenya Revenue Authority, Immigration, the National Environmental Management Authority, EPZA, Kenya Power departments are represented all under one roof to facilitate investors.

Under my leadership, the Board will continue addressing organisational needs that require intervention to make the Authority more competitive and an enviable place to work in.

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



Mrs. Anne W. Kirima – Muchoki
CHAIRPERSON
BOARD OF DIRECTORS

V. REPORT OF THE MANAGING DIRECTOR

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

Investment Generation

In FY 2017/18, the Authority registered 199 projects worth KShs 41.28 billion in terms of both new investment and re-investment. The new investments had an employment potential 7,818 Kenyans. In FY 2016/17, the Authority registered projects worth KShs 159.2 billion in terms of both new investment and re-investment. The new investments had created employment potential 26,000 Kenyans.

Investment Promotion

As part of continued effort to encourage more investors to choose Kenya, the Authority organised and/or participated in Investment promotion forums and missions to present opportunities to investors. Key among them included:

- Kenya Kazakhstan Business Forum;
- Industrial Capacity Cooperation Exposition, China-Africa;
- 2nd Kenya Manufacturing Summit & Expo;
- Guangzhou- Nairobi Economic and Trade Exchange Forum;
- UAE-SA Joint Trade Mission
- Stars in Africa Business Forum
- JETRO Entrepreneur Business Forum
- Japan Africa Economic Forum
- Nairobi Innovation Forum
- Doing Business in Africa
- AMCHAM Economic Summit 2018
- UK High Level Business Forum

In addition, KenInvest received high profile delegations composed of prominent business persons.

One Stop Centre (OSC)

KenInvest continued implementing the OSC. During FY 2017/2018, KenInvest relocated to UAP Old Mutual Tower as the preferred venue for the establishment of the One Stop Centre. Partitioning works for the new offices is nearing completion. Officers from the following institutions had been nominated to the OSC and training had commenced: KRA, NEMA, NSSF, NHIF, EPZA, Business Registration Services, Kenya Power, Department of Immigration and Nairobi County Government.

Enhancing Regional Integration

The Authority was involved in key regional integration activities in COMESA and EAC that support the growth of trade and investment. KenInvest received funding from COMESA through the National Treasury amounting to KShs 28 million to support activities and programmes that contribute to deepening of trade and investment in the region.

Investor Facilitation

The Authority also offered after care services to 190 projects and issued 40 Investment Certificates compared to last financial year 2016-17 263 investors. The major policy and/or administrative issues raised were escalated to the relevant Ministries, Departments and Agencies (MDAs) for resolution. Investor sentiment about business facilitation continued to improve.

Investment Facilitation Project for Kenya (e-Regulations)

During the financial year ending June 2018, the eRegulations team documented and uploaded 49 procedures in the Manufacturing, Tourism, ICT, and Energy and Agricultural sectors. The e-regulations project has increased transparency in accessing data and information on procedures and regulations required to invest in Kenya. The popularity of the platform has risen steadily with 162,735 users 222,468 sessions and 567,016, Page views in the June 2018 financial year making the portal as the most visited portal in Africa among countries who have implemented the UNCTAD eRegulations system and, arguably, the most important resource on regulations for investors, foreign or national, interested in setting up or expanding their operations in Kenya. Compared to FY 2016-17 where the Kenya's e-regulations portal received 30,179 users, 40,524 sessions and 108,629 page views per quarter.

E-Investment Opportunities Platform (eOpportunities).

During the financial year ending June 2018, a total of 175 enquiries had been made through the portal. Out of this, enquiries on National projects were 157; while County projects were 15 and Private projects were 2. It was noted that majority of the enquiries were from the Energy sector 56; real estate 40; water and sanitation 21 and agriculture 20. The portal has facilitated matchmakings between project promoters and investors such as *Rockwill Green Energy East Africa Ltd*, *MMEC Mannesmann GmbH –Mhlangwe Group Commercial Funding International (CFI) LLC* among other top companies.

Global Competitiveness Index Survey

Kenya improved in the Global Competitiveness Index (GCI) 2017-2018 from 96 to 91 position. The process for the 2018-19 survey was spearheaded by KenInvest, working with the University of Nairobi and the National Productivity and Competitiveness Centre. The team identified the sample frame, updated the Fact Sheet and disseminated the GCI questionnaire. Consultative and sensitization meetings (Investors' Round Tables) were successfully undertaken targeting the private sector in Nairobi, Mombasa, Eldoret and Kisumu.

Kenya Investment Policy

Working with partners and various stakeholders, KenInvest coordinated the completion of the Kenya Investment Policy, one of the deliverables under MTP II. The policy will be forwarded to the Ministry of Industry, Trade and cooperatives for the remaining steps.

County Investment Handbook

Preparation of the handbook, aimed at capacity building for county governments on investment promotion and facilitation, started in 2013/14 FY. After going through various reviews and with support of the World Bank Group, the handbook was completed in FY 2016/17. The handbook was updated in 2017/18 to accommodate the BIG 4 and other emerging scenarios in the investment arena, and is awaiting publication.

Financial Performance

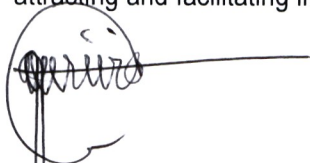
Implementation of activities has been hampered by budget constraints. Most activities conducted have benefitted from Regional Integration Implementation Programme (RIIP) fund. A number of activities listed in the departmental work plans were not implemented. Despite the delay in disbursement of funds from the Parent Ministry, the Authority was able to undertake its planned activities. This was done within the budget and the Authority will ensure compliance with Public Financial Management requirements.

Challenges

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

- i. HR challenges such as high staff turnover, inadequate staff establishment, lack of training and capacity building opportunities due to low funding, and uncertainty associated with parastatal reforms. These challenges are being resolved through resource mobilization, efforts to improve work environment, seeking training support from our partners and pushing for resolution of merger issue;
- ii. Inadequate ICT capacity to implement management information system. The Board's Innovation Committee is prioritizing this matter;
- iii. Inadequate clout which hampers effective facilitation of investors. This remains a key focus in our Strategic Plan;
- iv. Large information and data gap including challenges in capturing and processing the information and absence of a knowledge management system. This is being addressed through MoUs with sector regulators and other agencies with the data;
- v. Inadequate marketing efforts of investment opportunities due to their insufficient packaging, and inadequate budgetary resources. KenInvest has proposed establishment of an investment fund for this purpose and continues to seek more funds from GoK and is identifying revenue generating activities; and
- vi. Low budgetary allocation by the exchequer and weak internal capacity to fundraise. This is being resolved via efforts to secure more funds from exchequer. Research by Oxford University shows that \$1 investment in investment promotion can earn \$189 in FDI.

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



Dr. Moses Ikiara, MBS
Managing Director

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

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

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

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

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

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

The Board of Directors

The members of the Board of Directors are published in this report.

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

Appointment and Removal of Directors

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

- i. Serves the appointing authority with a written notice of resignation; or
- ii. Is absent, without the permission of the respective Cabinet Secretary, from three consecutive meetings; or
- iii. Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding twenty thousand shillings; or

- iv. Is incapacitated by prolonged physical or mental illness from performing his or her duties as a member of the Board; or
- v. Conducts himself/herself in a manner deemed by the appointing authority to be inconsistent with membership of the Board.

Role of Board Committees

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

- i. **Strategy and Investment Committee** - This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the overall mandate to ensure that all investment issues and the core function of KenInvest are maintained at all times. This includes investment promotion, investment facilitation, after-care services and Policy Advocacy. The Committee's important task is to ensure the relevance of the strategic plan, performance contract and work plan.
- ii. **Finance, Human Resource & Administration Committee** - This Committee is chaired by a non-executive member and meets on a quarterly basis. The Committee has the overall mandate to ensure that the budget is justified and adhered to, and that all expenditures are accounted for. It also has the mandate to ensure that all quarterly reports are presented in a timely fashion to the Board prior to the same being submitted to the Parent Ministry. All financial policies are discussed in this Committee.

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

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

Board Meetings

The Board is required to meet at least four times in every financial year to discuss the overall performance of KenInvest. Not more than four months should elapse between one meeting and the next meeting. All full board meetings are convened by the Secretary to the Board upon instructions from the Chairman (or as per approved work plan) or upon the requisition of at least five members of the Board. All decisions are passed by a majority of present members voting with the Chairperson having the decisive vote in the event of a tie.

During the Financial year ended 30 June 2018, the Board held four (4) scheduled meetings. Individual attendance at these meetings is set out in the table below. Additional four (4) special meetings were held on specific issues. The attendance by Members is as below:

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NO.	NAME OF DIRECTOR	45 th Board of Directors meeting held on 26 th July 2017	46 th Board of Directors meeting held on 31 st October 2017	47 th Board of Directors meeting held on 29 th January, 2018	48 th Board of Directors meeting held on 9 th May 2018	Total no. of meetings attended
1.	Esther Bungei	✓	✓	✓	-	3/4
2.	Christine Mwaka	✓	-	-	-	1/4
3.	Anne Muchoki	✓	✓	✓	-	3/4
4.	William K. Mahinda	✓	✓	✓	✓	4/4
5.	Muleli Mutuku	✓	✓	✓	✓	4/4
6.	Samuel K. Gicheru	✓	-		✓	2/4
7.	Augustine K. Masinde	✓	✓		✓	3/4
8.	Dr. Gachao Kiuna					0/4
9.	Wanyambura Mwambia	✓	✓	✓	✓	4/4
10.	Peter Njoka	✓	✓	✓	-	3/4
11.	Peter Biwott		✓	-	✓	2/4
12.	Nduati Mwangi	✓	✓	-	✓	3/4
13.	Sanda Ojiambo	✓	✓	-	-	2/4
14.	Fanuel Kidenda	✓	✓	-	-	2/4
15.	Yegon Kiplangat	✓	✓	-	✓	3/4
16.	Taib A. Taib		✓	-	-	1/4
17.	Maurice Otieno	-	-	✓	-	1/4
18.	Benjamin Chesang			✓	✓	2/4

Board Charter

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

Board of Directors Performance

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

Conflict of Interest

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

Induction and training

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

Succession planning

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

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

Board Remuneration

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

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Compliance with statutory requirements

Court Case	Status
Joseph Nathaniel Ng'ok vs. KenInvest	- Dr. Ngok passed away in February, 2017 and our lawyers are following up with the Courts on the termination procedures for the case.
Samuel Nyaachi vs KenInvest	- Matter was last in court on 8 th October 2015 and it was adjourned by the Plaintiffs and we are awaiting another hearing date
Wilson W. Khaemba t/a Sipeto Limited vs. KenInvest	- The matter is now coming up for hearing on 7 th February 2019.
M. A. Consulting Group Ltd. vs KenInvest	- Management is pursuing recovery of the loss from the former MD as resolved by the Board of Directors' Meeting.
Elizabeth M. Mwikali vs. KenInvest	- The Court directed that the matter be heard on 30 th July 2018

Key projects and investment decisions the entity is planning/implementing

a) One Stop Centre (OSC)

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

b) Regional Integration Implementation Programme (RIIP)

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

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Major risks facing the entity

Functional Area	Risk Identified	Mitigation Measures proposed	Measures Undertaken
Financial Management	Lack of Segregation of Duties in the Department	Increase of adequate staff to encourage segregation of functions in the Department	Job Descriptions prepared
	Incurring expenses outside approved budget	Procurement of Accounting system	Expenditure control to ensure it is within the approved budget allocations
	Misuse of Public Funds	Proper imprest accounting through recovery of full amount from staff salary.	Discourage staff from holding of multiple imprest and strict adherence to surrender of imprest within 7 days
Human Resource & Administration Management	Skewed Training and Reward System	Appointment of Training Committee Members	Training Committee Established
	Lack of proper job matching and skill mapping. Use of fake certificates in application of jobs.	Minimum qualifications are set for each job. Certification of certificates for all newly employed and existing staff.	Recruitment and selection process are clearly outlined and transparent.
	Lack of proper filling of work-tickets and log books	Proper Management of Motor vehicle Administration	Proper use of vehicles
	Lack of Performance Appraisal Management	Introduction of Performance Evaluation Tool. All HODs to ensure targets are set by all staff below them in 2017/2018.	Performance Measurements tools in place.
Supply Chain Management	Lack of Declaration of Interest by staff involved in procurement.	Staff to be informed to declare their interest during procurement meetings.	Members of staff are informed during meetings.
	Failure to follow proper procurement process by staff involved in procurement.	Staff to be appraised on new procurement procedures as per PPAD Act 2015 to ensure compliance	Training to be undertaken
	Lack of Proper reporting of procurement above KShs. 500,000/-	Reporting to all tenders and contracts awarded which are above the threshold of KShs. 500, 000	Quarterly submission of report to EACC/PPOA

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Functional Area	Risk Identified	Mitigation Measures proposed	Measures Undertaken
Investment Promotion, Facilitation and Advocacy Management	Lack of proper mechanisms of performance reporting.	Performance reporting	Monitoring and Evaluation of Promotion, Facilitation and Advocacy activities through regular reports.
Information risk security Management	Loss of ICT assets through theft.	Introduction security pass to control movement of ICT hardware.	Coding of computer hardware done.
		Coding of all computer hardware for easier monitoring and control.	Inventory of ICT hardware done.
		Develop an inventory of all ICT hardware and respective allocations.	
	Unauthorized access to computer systems	Establish access control and user ID management. Develop an ICT Security policy	Logs of unauthorized access attempts/intrusions. ICT Security policy
Entry of malicious code (viruses, malware) to computer systems and network.	Control of malicious codes that may be used to corrupt data so as to perpetrate corruption.	Updated antivirus and firewall software done.	
	Update antivirus and firewall software.		
Loss of information and data due to potential disaster. i.e. fire or asset theft.	Disaster recovery and business continuity planning.	Storage of key documents in Fire proof cabinets. Automation of organization processes to ensure automated Data back-up routines.	

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the Authority's affairs.

Principal activities

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

Results

The results of the Authority for the year ended June 30, 2018 are set out on **page 1 to 22**.

Directors

The members of the Board of Directors who served during the year are shown on **page IV to IX**.

Dividends/Surplus remission

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

Auditors

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

By Order of the Board



Ms. Olivia Rachier
Corporation Secretary
Nairobi

Date: 28/05/19

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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


The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year 2017/2018 ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the Investment Promotion Act, 2004. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2018, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.


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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 5th oct 2018 and signed on its behalf by:



Director



Director

Director



REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA INVESTMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Investment Authority set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in equity, statement of cash flows, 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, except for the effect of the matters described in the Basis for Qualified Opinion Section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Investment Authority as at 30 June 2018, and 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 Investment Promotion Act, No. 6 of 2004.

Basis for Qualified Opinion

1. Incomplete Project

The above project was a proposed construction of One Stop Shop for investors and Kenya Investment Authority Offices at UAP towers Upperhill, Nairobi. The project was awarded to Resjos Enterprises Limited as per signed agreement dated 18 January 2017, at a contract sum of Kshs.144,427,232. The contract commence date was 27 January 2017 for a period of 16 weeks and was estimated to be completed by 20 May 2017. According to the last issued certificate No.5 of work done, the total work certified so far is worth Kshs.77,140,481.95 which is 50% of the contract sum. The contract was noted to be behind schedule by 13 months as at 30 June 2018. Due to the delay, it is not clear whether the Authority and stakeholders will get value for money.

2. Irregular Procurement

During the year under review, the Authority invited suppliers through request of quotations to carry out general office repairs. However, although Frozen Ventures,

Report of the Auditor-General on the Financial Statements of Kenya Investment Authority for the year ended 30 June 2018

Maximum Enterprises, Events deals and General Supplies and Seromax Investment were invited to quote, none of them was pre-qualified to carry out any works in the Authority. The works was awarded to Seromax Investment at a cost of Kshs.86,293. Furtor Skytrack GPS East was paid Kshs.174,482 for providing car tracking services but was also not a prequalified supplier. The Authority therefore contravened Section 95(3) of the Public Procurement and Asset Disposal Act, 2015 which requires that a procuring entity to invite tenders from only the approved persons who have been pre-qualified.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Investment Authority in accordance with ISSAI 30 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 Qualified opinion.

Key Audit Matters

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

Other Matter

Procurement Plan

The procurement plan for the financial year 2017/2018 availed for audit review was not comprehensive as it only highlighted summed up final figures and lacked detailed breakdown of the goods, works or services required as stipulated in Section 21 (1) of the Public Procurement and Disposal Regulations, 2006.

Further, the heads of departments did not submit their annual work plans to the accounting officer as required to form the consolidated annual procurement plans as stipulated in Section 20 (4) of the Public Procurement and Disposal Regulations, 2006.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Employment Contract

Through a letter dated 6 January 2017, the contract of the Managing Director was renewed by the Chairperson of the board for a period of four years commencing 11 February 2017. However, no formal written contract agreement for the Managing Director's extended contract was availed for audit verification.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intend to have the Authority cease operations or have no realistic alternative but to do so.

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 money is applied in an effective manner.

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 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. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

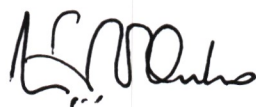
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

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

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

4 July 2019



Kenya Investment Authority
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 For the year ended June 30, 2018

XI. STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-2018	2016-2017
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments – Regional Investment Integration Programme (RIIP)	6	23,000,000	13,000,000
GoK Grants	7	217,750,000	245,000,000
		240,750,000	258,000,000
Revenue from exchange transactions			
		1,049,194	28,118,390
Other income	8	1,049,194	28,118,390
		241,799,194	286,118,390
Total revenue			
Expenses			
Employee costs	9	167,127,291	163,163,426
Remuneration of directors	10	3,651,128	7,514,000
Depreciation and amortization expense	11	8,149,167	9,881,534
Repairs and maintenance	12	1,741,189	1,854,282
General expenses	13	48,086,763	54,249,052
Program Costs	14	23,728,128	47,527,238
Total expenses		252,483,666	284,189,532
Surplus/(deficit) for the period		(10,684,472)	1,928,858
Attributable to:			
Surplus/ (deficit) attributable to owners of the controlling Authority		(10,684,472)	1,928,858

The notes set out on pages 6 to 22 form an integral part of these Financial Statements

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Kenya Investment Authority
 Reports and Financial Statements
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XII. STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2018

		2017-2018	2016-2017
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	15	93,248,604	179,059,120
Receivables from exchange transactions	16	24,824,411	486,438
Deposits	17	400,000	400,000
		118,473,015	179,945,558
Non-current assets			
Property, plant and equipment	18	134,869,024	79,200,590
		253,143,539	79,200,590
Total assets		253,342,039	259,146,148
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	19	15,685,212	5,171,937
Deferred Income	20	5,000,000	
Total liabilities		20,685,212	5,171,937
Net assets		232,656,826	253,974,211
Total Reserves		232,656,826	253,974,211
Total net assets and liabilities		253,342,039	259,146,148

The Financial Statements set out on pages 1 to 22 were signed on behalf of the Board of Directors by:


 Managing Director
 Name: Dr. Moses Ikiara, MBS


 Head of Finance
 Name: Ms. Donna Atieno
 ICPAK Member Number: 7332


 Chairperson of the Board
 Name: Mrs. Anne Kirima - Muchoki

Date: 31/05/2019

Date: 28/5/2019

Date: 31/05/19

**XIII. STATEMENT OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED 30 JUNE 2018**

	Attributable to the owners of the controlling Authority		
	Reserves		Total
	Capital Development Replacement Reserve	Accumulated Surplus	
	Kshs	Kshs	Kshs
Balance as at 1 July 2016		177,201,856	177,201,856
	-		
Surplus for the period	-	1,928,858	1,928,858
Transfers to/from accumulated surplus	73,000,000	(73,000,000)	-
Transfer to Capital Development Replacement Reserve	80,000,000	-	80,000,000
Payments made	(5,156,503)		(5,156,503)
Balance as at 30 JUNE 2017	147,843,497	106,130,714	253,974,211
At 1 July 2017	147,843,497	106,130,714	253,974,211
	-		
Surplus/(Deficit) for the period	-	(10,684,472)	(10,684,472)
Payments made	(10,632,913)		(10,632,913)
Balance as at 30 JUNE 2018	137,210,584	95,446,242	232,656,826

Notes:

a) The capital development replacement reserve

The reserves are funds which have been set aside from accumulated reserves in the previous financial years and additional funds received in 2016/2017 for the ongoing establishment of the One Stop Centre at the Authority's new Headquarters at UAP Old Mutual Tower 14th and 15th Floor, Upper Hill Road. This project is expected to be completed in 2018/2019 FY and associated funds expensed accordingly.

b) Accumulated Surplus

The accumulated surplus is net assets invested in the Authority.

XIV. STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2018

		2017-2018	2016-2017
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments – Regional Investment Integration Programme (RIIP)	6	28,000,000	13,000,000
GoK Grants	7	217,750,000	325,000,000
Other income	8	1,049,194	28,118,390
Total Receipts		246,799,194	366,118,390
Payments			
Employee costs	9	167,127,291	163,163,426
Remuneration of directors	10	3,651,128	7,514,000
Repairs and maintenance	12	1,741,189	1,854,282
General expenses	13	48,086,763	54,249,052
Program Costs	14	23,728,128	47,527,238
Prepayments	16	24,457,611	
Total Payments		268,792,110	274,307,998
Net cash flows from operating activities	21	(21,992,916)	91,810,392
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(63,817,600)	(17,790,142)
Net cash flows used in investing activities		(63,817,600)	(17,790,142)
Net increase/(decrease) in cash and cash equivalents		(85,810,516)	74,020,250
Cash and cash equivalents at 1 JULY	15	179,059,120	105,038,870
Cash and cash equivalents at 30 JUNE	15	93,248,604	179,059,120

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2018

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Note
	2017-2018	KShs	2017-2018	KShs	2017-2018	KShs	2017-2018	KShs	2017-2018	KShs	
Revenue											
GoK Grants	325,000,000		(75,000,000)		250,000,000		217,750,000		(32,250,000)		a)
Other Income	5,000,000		19,049,194		24,049,194		24,049,194		-		
Total income	330,000,000		(55,950,806)		274,049,194		241,799,194		(32,250,000)		
Expenses											
Employee costs	167,900,000		(700,000)		167,200,000		167,127,291		72,709		
Remuneration of directors	5,500,000		-		5,500,000		3,651,128		1,848,872		b)
Repairs and maintenance	1,400,000				1,400,000		1,741,189		(341,189)		c)
General expenses	50,200,000		(2,100,000)		48,100,000		48,086,763		13,237		
Program Costs	105,000,000		(55,950,806)		49,049,194		34,361,041		14,688,153		d)
Total expenditure	330,000,000		(58,300,806)		271,249,194		254,967,412		16,281,782		
Surplus/ (Deficit) for the period	-		(2,800,000)		2,800,000		(13,168,218)				e)

Budget Notes

- The Authority's recurrent budget was received less by KShs. 32.25 million on the 26th June 2018 without prior communication for the deduction.
- The board meetings could not be held since the term of private sector directors ended in April 2018.
- The Authority undertook necessary major repairs on motor vehicles during the financial year.
- The surplus was to be incurred on training in July 2018 that had been planned for and fully funded by RIIIP (Regional Investment Integration Programme).
- Variations in amount is as a result of the provisions for depreciation which is not included in this statement.
- Variations in amount is as a result of capital expenditures which is included in this statement.

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non-exchange transactions which are covered purely under Public Sector combinations as amalgamations.

ii. Early adoption of standards

The Authority did not early adopt any new or amended standards in year 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non- exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Rendering of services

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

Sale of goods

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

b) Budget information

The original budget for FY 2017-2018 (KShs 225 million recurrent and KShs 100 million) was approved by the Parent Ministry in July and September, 2017 respectively. Subsequent revisions were made to the approved budget in accordance with specific approvals from the appropriate authorities. The revised appropriations are adjusted from the original budget by the Authority upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded revised appropriation of KShs 192.75million on recurrent allocation and KShs 25 million on Development allocation following communication from the parent ministry in June, 2018.

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

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XV of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Property, plant and equipment

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

The Authority uses the reducing balance method of depreciation at the following rates:

- Motor Vehicles – 25%
- Furniture & Fittings – 10%
- Computers and Office Equipment – 30%

d) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Nature and purpose of reserves

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

a) The capital development replacement reserve

The reserves are funds which have been set aside from accumulated reserves in the previous financial years and additional funds received in 2016/2017 for the ongoing establishment of the One Stop Centre at the Authority's new Headquarters at UAP Old Mutual Tower 14th and 15th Floor, Upper Hill Road. This project is expected to be completed in 2018/2019 FY and associated funds expensed accordingly.

b) Accumulated Surplus

The accumulated surplus is net assets invested in the Authority

f) Changes in accounting policies and estimates

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

g) Employee benefits

Retirement benefit plans

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

h) Foreign currency transactions

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

i) Related parties

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

j) Cash and cash equivalents

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

k) Comparative figures

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

l) 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, 2018.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. Transfers from other governments

Description	2017-2018	2016-2017
	KShs	KShs
Unconditional grants		
Regional Investment Integration Programme (RIIP)	23,000,000	13,000,000
Deferred Income	5,000,000	
Total government grants	28,000,000	13,000,000

7. Transfers from Ministries, Departments and Agencies

Name of the Authority sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2017-2018
	KShs	KShs	KShs	KShs	KShs
State Department of Industry and Investment	192,750,000	-		192,750,000	192,750,000
State Department of Industry and Investment	25,000,000	-	-	25,000,000	25,000,000
Total	217,750,000	-	-	217,750,000	217,750,000

8. Other income

Description	2017-2018	2016-2017
	KShs	KShs
Miscellaneous Income	1,002,691	28,069,292
Commission Income	46,503	49,098
Total other income	1,049,194	28,118,390

9. Employee costs

	2017-2018	2016-2017
	KShs	KShs
Basic Salaries	90,629,350	81,873,670
House Allowances	30,866,000	28,721,097
Other Personal Emoluments	12,900,660	13,334,585
Leave Allowances	1,795,000	1,740,000
Other Cash Allowances	2,113,201	13,144,452
Pension Contributions	16,230,498	14,123,792
Medical Expenses	12,592,584	10,225,830
Employee costs	167,127,291	163,163,426

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Remuneration of directors

Description	2017-2018	2016-2017
	KShs	KShs
Chairman's Honoraria	1,044,000	1,044,000
Sitting Allowances	1,898,000	3,436,000
Seminars and Workshops	60,600	1,543,505
Travel Costs and Subsistence Allowances	289,750	692,530
Other Costs	358,778	797,965
Total director emoluments	3,651,128	7,514,000

11. Depreciation and amortization expense

Description	2017-2018	2016-2017
	KShs	KShs
Motor Vehicle	623,398	831,197
Computer and Equipment	2,168,375	3,097,677
Furniture and Fittings	5,357,394	5,952,660
Total depreciation and amortization	8,149,167	9,881,534

12. Repairs and maintenance

Description	2017-2018	2016-2017
	KShs	KShs
Motor Vehicles	1,410,502	1,275,699
Other Assets	330,687	578,583
Total repairs and maintenance	1,741,189	1,854,282

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. General expenses

Description	2017-2018	2016-2017
	KShs	KShs
Communication Supplies and Services	2,452,533	3,649,758
Domestic Travels	166,868	735,675
County Investment Programmes Support	-	993,456
Investor Tracking, Aftercare and Policy Advocacy	-	307,763
Travel - Foreign	-	1,968,424
Investment Promotion and Marketing	-	1,996,904
National Investment Policy	-	432,555
Printing Expenses	495,189	508,350
Advertising	-	54,000
Newspaper Subscriptions	400	20,430
Corporate Branding	-	490,274
Rent Expenses	35,781,827	30,516,637
Utilities Expenses	202,060	1,030,854
Training Expenses	-	1,494,619
ISO Recertification	-	128,295
Hospitality Expenses	278,691	1,053,559
Staff Tea	344,898	770,960
Water Expenses	296,631	306,755
Insurance Expenses	1,343,370	1,003,320
Office and General Supplies and services	1,581,699	1,797,192
Cleaning Services	1,833,095	1,922,449
Security Services	609,147	744,000
Fuel, Oil and Lubricants Costs	1,362,192	1,236,723
Subscriptions Expenses	131,628	100,333
Bank Charges	84,835	113,767
Audit Fees	350,000	350,000
Legal Fees	771,700	522,000
Total general expenses	48,086,763	54,249,052

14. Programme Costs

Description	2017-2018	2016-2017
	KShs	KShs
One Stop Centre (OSC)	9,389,428	9,732,855
Regional Integration Investment Programme (RIIP)	14,338,700	12,960,909
International Conferences	-	24,833,474
Total Program costs	23,728,128	47,527,238

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. Cash and cash equivalents

Description	2017-2018	2016-2017
	KShs	KShs
Current account	93,143,534	178,928,160
Petty Cash -HQS	53,140	115,561
Petty Cash-Eldoret Office	29,346	5,487
Petty Cash- Mombasa Office	21,282	7,392
Petty Cash-Kisumu office	1,302	2,520
Total cash and cash equivalents	93,248,604	179,059,120

15 (a). Detailed analysis of the cash and cash equivalents

		2017-2018	2016-2017
		KShs	KShs
Financial institution	Account number		
a) Current account			
Co-operative Bank of Kenya	01120006651800	93,143,534	178,928,160
Sub- total		93,143,534	178,928,160
b) Others (Cash -in - Hand)			
Petty Cash -HQS		53,140	115,561
Petty Cash-Eldoret Office		29,346	5,487
Petty Cash- Mombasa Office		21,282	7,392
Petty Cash-Kisumu office		1,302	2,520
Sub- total		105,070	100,960
Grand total		93,248,604	179,059,120

16. Receivables from exchange transactions

Description	2017-2018	2016-2017
	KShs	KShs
Current receivables		
Staff Imprest	366,800	486,438
Prepayments	24,457,611	-
Total current receivables	24,824,411	486,438
Total receivables	24,824,411	486,438

17. Deposits

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

Description	2017-2018	2016-2017
	KShs	KShs
Deposits	400,000	400,000
Total Deposits	400,000	400,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. Property, plant and equipment

Cost	Motor vehicles	Furniture and fittings	Computers and Office Equipment	Capital Work in progress	Total
	KShs	KShs	KShs	KShs	KShs
At 1 st July 2016	29,629,900	115,486,392	28,631,693	-	173,747,985
Additions	-	-	1,885,000	15,905,142	17,790,142
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30 th June 2017	29,629,900	115,486,392	30,516,693	15,905,142	191,538,127
Additions	-	323,994	5,742,600	57,751,007	63,817,600
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30 th June 2018	29,629,900	115,810,386	36,259,293	73,656,149	255,355,728
Depreciation and impairment					
At 1 July 2016	26,305,113	55,959,789	20,191,100	-	102,456,002
Depreciation	831,197	5,952,660	3,097,677	-	9,881,534
Impairment					
At 30 June 2017	27,136,310	61,912,450	23,288,777	-	112,337,536
Depreciation	623,398	5,357,394	2,168,375	-	8,149,166
Disposals	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30 th June 2018	27,759,708	67,269,844	25,457,152	-	120,486,704
Net book values					
At 30 th June 2018	1,870,192	48,540,542	10,802,141	73,656,149	134,869,024
At 30 th June 2017	2,493,590	53,573,942	7,227,916	15,905,142	79,200,590

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. Trade and other payables from exchange transactions

Description	2017-2018	2016-2017
	KShs	KShs
Trade payables	4,424,365	4,763,337
Retention	10,849,947	
Audit Fees	350,000	350,000
Staff claims	60,900	58,600
Total trade and other payables	15,685,212	5,171,937

20. Deferred Income

Description	2017-2018	2016-2017
	KShs	KShs
Regional Investment Integration Programme (RIIP)	5,000,000	-
Total deferred income	5,000,000	-

21. Cash generated from operations

	2017-2018	2016-2017
	KShs	KShs
Surplus/ (Deficit) for the year before tax	(10,684,472)	1,928,858
Adjusted for:		
Depreciation	8,149,166	9,881,534
Working Capital adjustments		
Increase in receivables	(24,139,473)	983,579
Increase in deposits	-	-
Increase in payables	15,314,776	4,172,924
Decrease in cash transferred to Capital fund	(10,632,913)	74,843,497
Net cash flow from operating activities	(21,992,916)	91,810,392

22. Financial Risk Management

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

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

(i) **Credit risk**

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

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2018				
Receivables from exchange transactions	24,625,911	24,625,911	-	-
Bank balances	115,754,540	115,754,540	-	-
Total	140,380,451	140,380,451	-	-
At 30 June 2017				
Receivables from exchange transactions	486,438	486,438	-	-
Bank balances	178,928,160	178,928,160	-	-
Total	179,414,598	179,414,598	-	-

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 recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Authority has significant concentration of credit risk on amounts due from its bank.

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

(ii) Liquidity risk management

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

The table below represents cash flows payable by the company 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 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	-	4,286,766	11,199,947	15,486,713
Deferred income	5,000,000			5,000,000
Total	5,000,000	4,286,766	11,199,947	20,486,713
At 30 June 2017				
Trade payables	-	5,171,937	-	5,171,937
Total	-	5,171,937	-	5,171,937

(iii) Capital Risk Management

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

	2017-2018	2016-2017
	Kshs	Kshs
Accumulated Surplus	95,446,242	106,524,838
Capital reserve	137,210,584	147,843,497
Total funds	232,656,826	254,368,335
Less: cash and bank balances	(93,248,604)	(179,029,120)
Net debt/(excess cash and cash equivalents)	139,408,222	75,339,215
Gearing	60%	30%

23. Related Party Balances

a) Nature of related party relationships

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

The Authority is related to:

- i) The National Government;
- ii) The Parent Ministry;
- iii) The Board of Directors;
- iv) The Managing Director; and
- v) The General Managers (Senior Management).

b) Grants from the Government

Description	2017-2018	2016-2017
	KShs	KShs
Transfers from related parties'	217,750,000	325,000,000
Transfers to related parties	-	-
Total	217,750,000	325,000,000

c) Key management compensation

Description	2017-2018	2016-2017
	KShs	KShs
Managing Director (1)	8,640,000	15,782,400
General Managers (5)	18,014,076	18,182,196
Total	26,654,076	33,964,596

24. Contingent liabilities

Kenya Investment Authority Staff Pension Scheme previously referred to as Investment Promotion Centre Pension the Kenya Investment Authority (sponsor) of the Kenya Investment Authority Pension Scheme has an outstanding pension remittance issue for the period August 1992 to July 1994. The remittance gap was discovered in 2012 after an audit that was sanctioned by the Board of Trustees. Since then, Trustees have engaged relevant government departments including Kenya National Archives to determine whether the sponsor had remitted pension deductions for the period in question but records cannot be traced from the institution. The scheme was non-contributory at the time. The outstanding principal amount is KShs 1,744,213.20 that has so far accumulated interest to the tune of KShs. 16,383,115.48 as at December 2017.

25. Capital Commitments

Capital commitments	2017-2018	2016-2017
	KShs	KShs
Authorised and contracted for	144,427,766	144,427,766
Total	144,427,766	144,427,766

26. Events after the reporting period

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

27. Ultimate and Holding Authority

The Authority is a State Corporation under the Ministry of Industry, Trade and Co-operatives. Its ultimate parent is the Government of Kenya.

28. Currency


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

XVII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS (2016/2017 FY)

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Poor Budget Absorption During the financial year under review the Authority spent a total of KShs. 47,527,238 on program costs under the expense item resulting in an under-expenditure of KShs. 13,591,152 or 22% under –absorption.	The main reason for this was that the Authority had anticipated to relocate and to Launch the One Stop Centre after the initial completion date of 20th May, 2017. However, the contractor requested for extension of time due to some unforeseen circumstances. The Authority eventually relocated in August, 2017.	Dr. Moses Ikiara Managing Director	Resolved	Resolved
2	Expired contract Under the revenue from exchange transactions (other income) balance of Kshs.28,118,390 includes an amount of KShs. 489,789 received on 15 th July 2016in accordance with the memorandum of understanding between the United Nations Industrial Development Organization (UNIDO)and KenInvest dated 14 th March 2013.However, according to article 5 of the memorandum of understanding UNIDO was to provide capacity building to SPX staff, physical facilities and equipment as well as additional support inputs for hosting the SPX center in Kenya for a period up to end of March 2013	There was a delay in the disbursements of funds from UNIDO hence the need to extend the original memorandum of understanding to 2017. The funds received were as per the contract and were used to pay the salary of the SPX engineer.	Dr. Moses Ikiara Managing Director	Resolved	Resolved


 Managing Director


 Chairperson of the Board

Date... 31/05/2019

Date... 31/05/19

XVIII. Appendix 1: INTER-AUTHORITY TRANSFERS

AUTHORITY NAME:		KENYA INVESTMENT AUTHORITY	
Break down of Transfers from the State Department of Industry and Investment			
FY 17/18			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	05-09-2017	56,250,000	2017/18
	28-12-2017	56,250,000	
	13-02-2018	56,250,000	
	26-06-2018	24,000,000	
	Total	192,750,000	
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	04-09-2017	25,000,000	2017/18
	Total	217,750,000.00	

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

Finance Manager
 KenInvest

Head of Accounting Unit
 Ministry of Industry, Trade and Cooperatives

Sign 

Sign-----

Kenya Investment Authority
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XIX. Appendix 2: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received		Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Capital Fund	Deferred Income	Total Transfers during the Year
	as per bank statement							
UNIDO	19-07-2017		Other Income	501,545	501,545	-	-	501,545
UNIDO	04-08-2017		Other Income	501,146	501,146	-	--	501,146
The National Treasury-Regional Investment Integration Programme	18-10-2017		Other Income	5,000,000	5,000,000	-	-	5,000,000
The National Treasury-Regional Investment Integration Programme	22-02-2018		Other Income	10,000,000	10,000,000	-	-	10,000,000
The National Treasury-Regional Investment Integration Programme	25-05-2018		Other Income	13,000,000	13,000,000	-	5,000,000	8,000,000
Total				29,002,691	29,002,691	-	5,000,000	24,002,691

6000

