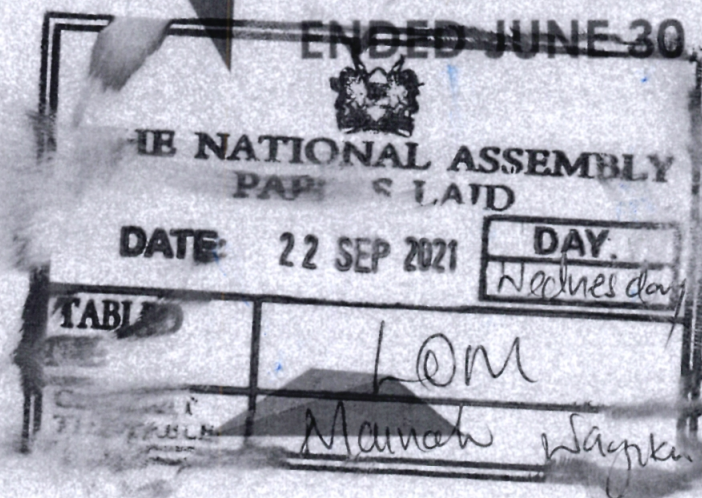




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REGULATORY AND OTHER  
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PRIVATIZATION COMMISSION

ANNUAL REPORT AND  
FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR  
ENDED JUNE 30, 2020

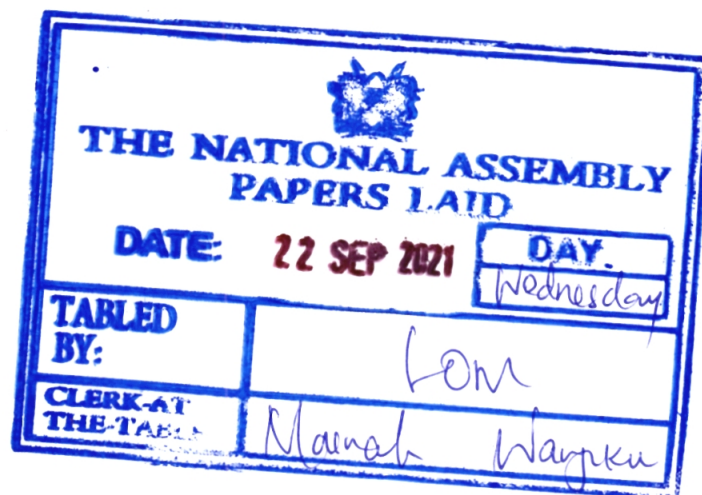




**PRIVATIZATION COMMISSION**  
Enhancing Kenya's Productive Capacity

# REGULATORY AND OTHER NON-COMMERCIAL ENTITIES PRIVATIZATION COMMISSION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2020



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



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## KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background Information

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

### b) Principal Activities

The principal activities of the Privatization Commission are to:

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

The Commission began its operations in February 2008.

### VISION

A world class privatization agency, innovatively transforming public enterprises for accelerated economic growth.

### MISSION

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

### CORE OBJECTIVES

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

**c) Key Management**

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

- i Commission Members;
- ii Executive Director/CEO; and
- iii Management.

**d) Fiduciary Management**

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

S/NO.	DESIGNATION	NAME
1.	Executive Director/CEO	Joseph Koskey
2.	Manager, Transactions	Janerose Omondi
3.	Manager, Transactions	Charles Ochola
4.	Manager, Supply Chain Management	Sylvester Kamau
5.	Manager, Finance	Virginiah Kariuki
6.	Manager, Human Resources and Admin.	Caroline Kittur
7.	Manager, Research and Planning up to 12 <sup>th</sup> June 2020	Florah Muthaura
8.	Principal Communication Officer	Bessie Valerie Atieno
9.	Principal Legal Affairs Officer	Maureen Saina
10.	Principal Internal Audit Officer	Valentine Odhiambo
11.	Principal ICT Officer	Shadrack Oriaro

**e) Fiduciary Oversight Arrangements**

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

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

**f) Privatization Commission Office**

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

**g) Privatization Commission Contacts**

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

**h) Privatization Commission Bankers**

Kenya Commercial Bank  
University Way Branch  
NAIROBI, KENYA

Kenya Commercial Bank  
KICC Branch  
NAIROBI, KENYA

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

HFC Ltd.  
Gill House  
Tom Mboya Street  
NAIROBI, KENYA

**i) Independent Auditors**

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

**j) Principal Legal Adviser**

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

## THE BOARD OF DIRECTORS

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



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

He is a standing member of Kenya Veterinary Association. Dr. Otuoma is a former Minister for Fisheries, Youths and Sports and Local Government and a Member of Parliament for Funyula Constituency (2007-2017). He was also a member of Parliamentary Lands Committee and Public Investments Committee. Between 1994 and 2000 he worked for Bayer East Africa Limited as a representative for East Africa. Between 2001 and 2003, he worked for Bayer South Africa in Johannesburg as a Business Development Manager (Sub-Saharan Africa) for veterinary pharmaceuticals.

D.O.B 15.09.1966

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

**Amb. Yatani** has over 27 years experience in public administration, politics, diplomacy and governance in the public sector. He was appointed the Cabinet Secretary, National Treasury and Planning in an acting capacity, in July 2019 and substantively in January 2020. He was previously Cabinet Secretary for Labour and Social Protection, a position he had held since January 2018.



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

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

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

## Attorney General- Paul Kihara Kariuki

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

He practiced law with several legal establishments and served as Principal and Chief Executive Officer at the Kenya School of Law.

He was appointed Judge of the High Court where he served in both the civil and commercial divisions of the Court for several years.

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

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

D.O.B 11.05.1954



## Ms. Beatrice Gathirwa - Alternate to CS, National Treasury



**Ms. Gathirwa** holds Bachelor of Commerce (Accounting) and Master of Business Administration degrees from the University of Nairobi. Ms. Gathirwa is the Director, National Assets and Liability Management at the National Treasury. She represents the Cabinet Secretary, National Treasury on the Boards of various State Corporations.

D.O.B 10.06.1956

## Sharon Irungu Asiyo - Alternate to the AG

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

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

DOB: 27.06.1981



### Mr. John Joseph Tito



**Mr. Tito** holds a Bachelor of Laws degree from the University of Nairobi, a Post Graduate Diploma in Law from the Kenya School of Law, and Post Graduate Diplomas in Aviation Law, International Business and Transnational Law. He is a member of the Law Society of Kenya and the International Bar Association.

Mr. Tito is an accomplished Lawyer with a solid background in International, Financial and Commercial Law, with over 20 years' experience. He also has expertise in executive management, governance and policy formulation and implementation.

He is currently a Managing Partner of Tito & Associates Advocates, a legal consultancy and advisory services firm based in Nairobi. The services provided include, Investment and Commercial Law, Aviation Law, Public Private Partnerships, Energy, Real Estate and advising communities on their proprietary rights over land, training legal practitioners on management issues, negotiations and International Law. He provides lectures at conferences and undertakes research on appropriate policy and legal framework on proposed legislative changes. He coaches executives on Aviation Law and on Public Sector - Private sector partnerships for efficient and sustainable delivery of public services.

Date of reappointment 16.10.2019.

D.O.B 30.3.1967

### Mr. Joseph Koskey Executive Director/CEO

**Joseph** is the Executive Director/CEO and holds a MBA (Strategic Management) and Bachelor of Commerce (Accounting) degrees from the University of Nairobi and currently pursuing a PhD (Business Administration) at the same University. He is a member in good standing of ICPAK, the Institute of Certified Secretaries of Kenya and the institute of Directors Kenya. He is also a certified trainer on corporate governance and a Certified Governance Auditor. Joseph has over 28 years business management experience gained in diverse industries, 21 years of which have been in senior leadership and management positions. He has a distinguished leadership career with a proven track-record of achievements (both in the private and public sectors) in revenue growth, productivity improvement, operational excellence and bottom-line turnaround.



Prior to his appointment to the Commission, Joseph had served as the Group CEO at Sovereign Group Ltd, Managing Director at the Kenya Bureau of Standards and as Managing Director at Urgent Cargo Handling Ltd among others. He has also served as the Regional Change Manager for P&O Nedlloyd East Africa and Indian Ocean Islands covering Kenya, Uganda, Tanzania, Mauritius, Madagascar and Seychelles. This background equipped him with invaluable skills and expertise in strategic and financial management, business restructuring and change management.

Date of appointment 01.11.2018

DOB 29.01.1970

## MANAGEMENT TEAM

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

<p><b>Sylvester Kamau</b></p> 	<p>Sylvester holds a Master of Science (MSc) degree in Procurement and Logistics from the JKUAT and a CIPS Post-Graduate Professional Diploma in Procurement and Supplies. He also holds a Bachelor of Arts degree in Government and Public Administration from Moi University. He is currently pursuing his PhD. in Supply Chain Management from JKUAT. He is a registered and licensed member of the Kenya Institute of Supplies Management.</p>	<p><b>SUPPLY CHAIN MANAGEMENT</b> Ensuring quality, effective and proactive procurement support services.</p>
<p><b>Florah Muthaura</b></p> 	<p>Florah holds a Master of Business Administration degree in Strategic Management and a Bachelor of Commerce Degree (Actuarial Science) both from the University of Nairobi. She is a Certified Public Accountant (K). (up to 12<sup>th</sup> June 2020)</p>	<p><b>RESEARCH AND PLANNING</b> Managing the development, implementation, monitoring and evaluation of the Strategic Plan, performance management and coordination of Research</p>
<p><b>Virginiah Kariuki</b></p> 	<p>Virginiah is a holder of a Master of Business Administration degree (Strategic Management) and a Bachelor of Science degree in Business Administration (Accounting and Management) both from USIU-A. She is a CPA (K) and a CPS finalist. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Association of Women Accountants of Kenya (AWAK). She is also a Quality Management System ISO 9001:2015 Lead Auditor.</p>	<p><b>FINANCE AND ACCOUNTS</b> Sound financial management.</p>
<p><b>Maureen Saina</b></p> 	<p>Maureen is an advocate of the High Court of Kenya holding a Masters' degree in Public Policy from the University of Strathclyde, a Post-Graduate Diploma in Legal Studies from Kenya School of Law and a Bachelor of Laws degree from Catholic University of Eastern Africa. She is a member of the Law Society of Kenya.</p>	<p><b>LEGAL AFFAIRS</b> Managing legal affairs.</p>

**Bessie Valerie Atieno**



Bessie has a Master of Arts degree in Communication from Daystar University. She also holds a Professional Public Relations Diploma from the Chartered Institute of Public Relations (CIPR-UK) and a Bachelor of Arts degree in Language and Literary Studies (English Major) from Moi University. She is a member of the Public Relations Society of Kenya (PRSK).

She is also a Quality Management System ISO 9001:2015 Lead Auditor.

**CORPORATE AFFAIRS**

Formulation and execution of a sound communication strategy.

**Shadrack Oriaro**



Shadrack holds a Bachelor of Science degree (Information Technology) from JKUAT and a Master's in Applied IT at Africa Nazarene University. He possesses various professional certifications including CompTIA Project+, CCNP, CCDP, CCDA, CCNA and ITIL. He is a member of the Computer Society of Kenya.

**ICT**

Managing Information Communication Technology.

**Valentine Odhiambo**



Valentine holds a Master of Business Administration (Strategic Management) and Bachelor of Commerce (Finance) degrees both from The University of Nairobi. She is a Certified Information Systems Auditor (CISA) and a CPA (K). She is a member of ICPAK, Association of Women Accountants (AWAK) and the Information System and Control Association (ISACA).

**INTERNAL AUDIT**

Managing internal controls in order to improve efficiency, transparency and accountability

## CHAIRMAN'S STATEMENT

In compliance with Section 15 and 16 of the Privatization Act, it gives me great pleasure to present the Privatization Commission Annual Report for the period ended 30<sup>th</sup> June 2020. During the year under review, no privatizations were completed and therefore the annual financial statements for the year do not include a statement of the assets and liabilities and the proceeds from privatization of any state corporation.

Six positions of Commission members still remain vacant, but the process of filling them has been commenced by the National Treasury. With this process not concluded, the Board was not duly constituted and lack of quorum affected implementation of various proposals and strategies that had been developed by Management. This, coupled with the emergence of the COVID-19 pandemic, drastically affected the continued implementation of the Privatization Commission mandate, which relies heavily on stakeholder engagement activities to realize certain objectives in the fulfilment of its mandate.

At the strategic level, the major task that the Commission is looking forward to will be the updating of due diligence reports once the Board is duly constituted. This will be followed by the presentation and approval of these reports at various levels to facilitate implementation.

The above challenges notwithstanding, I would like to thank the Commission staff for their dedication to work and at the same time appeal to the Government to fast track the process of recruiting and appointing the Board to enable the Commission to implement its mandate effectively.

And much as the Commission has achieved a lot under difficult circumstances, the Commission looks forward to doing even better in the coming year. The Commission expects the continued support of the National Government, its Agencies and all other stakeholders as it strives to achieve the desired benefits expected to accrue from privatizations.



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

## REPORT OF THE EXECUTIVE DIRECTOR/CEO

The 2019/2020 financial year was a very challenging one, more so for lack of a duly constituted Board and the strike by the COVID-19 pandemic. The good news nonetheless is that the process of recruitment and appointment of new Board Members has commenced and is on-going. The Commission hopes that the process of appointing new Commission Members will be completed soon to enable fast-tracking of the implementation of the Privatization Programme.

It is notable that Management finalized the preparation and update of due diligence reports for the entities approved by Cabinet for continuation in the Privatization Programme, but which are yet to be considered by the Commission. And noting that the delay in implementation of the approved privatization proposals is partly attributed to stakeholder resistance issues, the Management came up with various strategies aimed at getting buy-in of key stakeholders. To this end, the Commission hosted or took part in various stakeholder engagement activities through site visits, one-on-one meetings and with and through the media.

In the period under review, Privatization Commission continued with the implementation of the revised 2016-2021 Strategic Plan out of which the following key activities were undertaken among others:

- i. To improve on service delivery, the Commission implemented an Electronic Document Management System which not only enhances information security but also eases the process of information retrieval.
- ii. Implementation of a new ERP System which will assist the Commission to achieve higher levels of efficiency as it provides for end-to-end paperless flow of work.
- iii. Capacity building for Commission staff.

The execution of the above activities would not have been possible without the support of our key stakeholders; among them, the Commission Chairman for providing the strategic direction, the Commission's staff for their continued commitment and dedication to duty in spite of the uncertainties and anxieties due to the COVID-19 pandemic, and the National Treasury for its financial and administrative support.



**JOSEPH KOSKEY**  
**EXECUTIVE DIRECTOR/CEO**

## REVIEW OF PRIVATIZATION COMMISSION PERFORMANCE FOR FY 2019/2020

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

Privatization Commission has four strategic pillars and objectives within its Strategic Plan for the FY 2016/2017 – 2020/2021. These strategic pillars are as follows:

- i Effective and efficient implementation of the privatization programme
- ii Strengthening Institutional Capacity
- iii Enhance Corporate Governance
- iv Mobilization and optimal utilization of funds

Privatization Commission develops its annual work plans based on the above four pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. However, for the FY 2019/2020 the Commission did not have a fully Constituted Board. Consequently, there were no Board sittings. The Commission therefore only achieved those performance targets set for the FY 2019/2020 period for its four strategic pillars that could be achieved without the Board, as indicated in the table below:

Strategic Pillar	Strategic Objectives	Key performance Indictors	Activities	Achievements
<b>Effective and efficient implementation of the privatization programme</b>	To finalize implementation of the current privatization programme by 2021	Undertake preparatory work for 16 enterprises	<ul style="list-style-type: none"> <li>- Submission of due diligence reports by the consultant/transaction advisor</li> <li>- Convening of Privatization Implementation committee (PIC) meetings to review the reports.</li> <li>- Convene Steering Committee meetings to approve the reports</li> <li>- Prepare and submit Specific privatization proposal for 7 entities at the preparatory stage</li> </ul>	<ul style="list-style-type: none"> <li>- The updated due diligence reports for the 16 entities were received by Commission</li> <li>- The Steering Committee meetings were not convened for lack of a fully constituted Board</li> </ul>

Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
		Implementation of the 9 approved transactions by Q4	<ul style="list-style-type: none"> <li>- Convene the Privatization Steering Committee meetings</li> <li>- Conducting Business valuation for each of the 9 entities</li> <li>- Advertise for the Expression of Interest in the entities</li> <li>- Complete the privatization process by identifying the new investor</li> </ul>	This was not achieved for lack of a fully constituted Board
		Build and strengthen strategic partnerships with key stakeholders for successful implementation of the Privatization Programme	Continuously engage key stakeholders in the privatization process	This was achieved by engagement of the management and other consultative meetings with different ministries and media appearances
	To achieve a harmonious legal framework for the privatization programme	No. of reports on proposed amendments No. of Reports on Harmonization of relevant laws	Conduct a review of the legal framework and additional areas requiring update;	Technical Committee (Kenya Law reform Commission and Privatization Commission Staff) to establish the scope of amendments and guide development of a Zero Draft Bill
<b>Strengthening Institutional Capacity</b>	To improve on existing infrastructure and foster innovation	Implement Automation plan	Carry out ICT infrastructure assessment  Implement ICT Assessment report  Adopt new opportunities to leverage on IT.	PC carried out an ICT Infrastructure assessment  The following Projects were implemented under the Automation Plan <ul style="list-style-type: none"> <li>• E-Board implementation</li> <li>• Website upgrade</li> <li>• Hardware upgrade</li> <li>• Upgrade of the email system</li> <li>• Implementation of Navision Dynamics Business Central ERP system.</li> <li>• Implementation of Phase I of Electronic Document Management System</li> </ul>

Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
	To attract, develop and retain adequate capacity for efficient and effective implementation of the Privatization Programme	<ul style="list-style-type: none"> <li>- Number of staff trained in the period under review</li> <li>- Percentage</li> <li>- Undertake annual staff performance</li> <li>- Implement employee satisfaction and work environment survey</li> <li>- Implement Culture change survey</li> </ul>	<ul style="list-style-type: none"> <li>- Compile and implement approved annual training programme</li> <li>- Implement and monitor staff performance on yearly basis</li> <li>- Review and implement HR instruments</li> <li>- Conduct survey on the existing culture and value in the Commission</li> </ul>	<ul style="list-style-type: none"> <li>- Undertook Training Needs Assessment</li> <li>- Implemented the training programme for the financial year</li> <li>- Undertook institutional skills gap analysis</li> <li>- Strengthened performance management for staff</li> <li>- Motivated staff with a view of improving their work performance</li> <li>- Implemented HR Policy Instruments</li> </ul>
	To establish a functional resource centre by 2021	<ul style="list-style-type: none"> <li>- Annual Report on Knowledge Management implementation</li> </ul>	<ul style="list-style-type: none"> <li>- Establish Knowledge management systems</li> <li>- Develop and implement the Commission's Knowledge Management Policy</li> </ul>	<ul style="list-style-type: none"> <li>- Implemented Knowledge Management policy to promote the use of Knowledge Management at the Commission</li> <li>- Staff trained to lead implementation of Knowledge management activities</li> <li>- Establishment of functional Resource Centre not done waiting for relocation</li> </ul>
<b>Enhance Corporate Governance</b>	To enhance public awareness, image and perception	Improve corporate Image	<p>Conduct a branding assessment.</p> <p>Develop and implement the Commission's branding strategy.</p>	<p>Branding assessment was undertaken at the beginning of the strategic planning period.</p> <p>The Commission implemented the branding strategy</p>
	To implement the risk management strategy	<p>Review the Commission's Enterprise Risk Management Framework (ERMF) every two years;</p> <p>Train the Commission and staff on ERM every two years;</p>	<p>No of ERMF Revisions</p> <p>No of ERM trainings</p>	<p>Continuous implementation of ERM</p> <p>ERMF review was not due</p>

Strategic Pillar	Strategic Objectives	Key performance Indicators	Activities	Achievements
	To enhance linkages and maintain working relationships with stakeholders and partners	Review the stakeholder's database; Prepare and implement 9 stakeholders engagement Strategies.	Annual report on stakeholder's database  No of implemented stakeholder engagements	Updated stakeholder's database available  Stakeholder Engagement Strategy for the privatization of the PSOCSC was developed and awaiting Board approval for implementation.
<b>Mobilization and optimal utilization of funds</b>	To effectively lobby, utilize and account for financial resources	Lobby for adequate allocation of funds	Percentage increase in government funding	There was reduction in government funding.

## CORPORATE GOVERNANCE STATEMENT

### Policy on Corporate Governance

The Commission's policy on corporate Governance is enshrined in the Commission Charter 2017. The corporate governance structure aims at ensuring that the Commission's internal systems which include policies, procedures, processes and people serve the interests of the stakeholders and the communities within which we operate. The Commission Board is committed to ensuring that the organization's operations are run in a professional, transparent, just and equitable manner for the benefit of its stakeholders including the Kenyan public.

### Commission Charter

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

### Composition of the Commission Board

In compliance with regulation 1.1(5) of *Mwongozo*, the Commission's Board as set out in the Privatization Act comprises of eleven (11) members including the Chairman, the Attorney General, Principal Secretary- National Treasury and seven (7) other members appointed by virtue of their expertise in such matters as will ensure that the Commission achieves its objectives. The term of the Board members expired on June 29, 2019 except for the Chairman, Hon. Dr. Paul Otuoma, EGH who was appointed in December 2018 and Commissioner John Joseph Tito who was re-appointed in October 2019. The Chairman has over 10 years' experience in matters relating to public management while Commissioner Tito is a lawyer by profession.

Appointments to the Board are carried out pursuant to the Privatization Act. The Chairperson is appointed by the President of the Republic of Kenya while the Members of the Commission are appointed by the Cabinet Secretary, National Treasury following approval by the National Assembly. In order to ensure business continuity and avoid operational gaps, it is recommended that the appointment of Board members be staggered in future appointments.

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

- I. **The Finance and Strategy Committee** assists the Commission Board in discharging its oversight duties with respect to the financial matters of the organization, overall strategic direction, operational, procurement, performance contracting and organizational health.
- II. **The Audit Committee** assists in enhancing internal controls in order to improve efficiency, transparency and accountability.
- III. **The Human Resources and Risk Management Committee (HRRMC)** considers all matters associated with the policies and practices of the Organization in relation to its human resources and risk management.
- IV. **Privatization Steering Committees (PSCs)** monitor transactions to ensure their integrity. The transactions relate to Public Sector Owned/Controlled Sugar Companies, Public Sector Owned/Controlled Hotels, Banks (Consolidated Bank of Kenya Limited, Development Bank of Kenya Limited and National Bank of Kenya Limited), New Kenya Cooperative Creameries Limited, Agro Chemical & Food Company Limited, Kenya Ports Authority, Kenya Pipeline, Kenya Meat Commission and East Africa Portland Cement Limited.

## Meetings

The meetings of the Board are held quarterly and on need basis. Commission business is also transacted through Steering Committee meetings as necessary. The Board from time to time holds consultative meetings with the National Government, the Board and Management of the entities being privatized and other stakeholders in order to seek views on matters in relation to the various privatization transactions. The Board work plan and calendar of meetings is prepared in advance. Adequate notice is given for meetings and the agenda and board papers are circulated in good time. **No Commission meeting was held in FY 2019/2020 as the Commission Board was not duly constituted hence no quorum.**

## Commission Board's Responsibilities

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

The Board's responsibilities include amongst others:

- i Defining the purpose of the organization, its strategic intent, objectives, values and providing oversight of performance against set targets and objectives;
- ii Providing stewardship of the organization in the discharge of its obligations, assuming the following responsibilities:
  - Retaining full and effective control over the organization and monitoring Management's implementation of the organization's plans and strategies;

- Ensuring ethical behavior and compliance with relevant laws and regulations, audit and accounting principles and corporate policies and procedures;
- Defining levels of materiality, reserving specific powers to the Commission, delegating other matters through written authority and instituting effective mechanisms that monitor the performance of the management team;
- Determining the provisions to be made for capital and recurrent expenditure and reserves;
- Receiving any grants, gifts, donations or endowments and making legitimate disbursements therefrom;
- Acting responsibly towards the organization's stakeholders; and
- Being committed to the principles of good corporate governance.

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

### **Code of Ethics**

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

### **Whistle Blowing Policy**

The Commission has a whistle blowing portal that helps Management to prevent and/or deter suspected fraudulent, immoral, unethical and malicious activities. To guide implementation, a whistle blowing policy has been developed and is accessible on its website and hotline number specifically for forwarding complaints relating to unethical conduct.

### **Board Remuneration**

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

### **Board Induction**

Upon appointment to the Board, new Directors embark on a detailed programme to familiarize themselves with the Commission's mandate and operating environment. Corporate literature and key laws and regulations are provided to the Board members

and meetings arranged with senior management team to sensitize them on the operations of the Commission.

### **Board Evaluation**

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

### **Statutory Compliance Audit**

Internal Statutory Compliance is usually carried out on a quarterly basis and reported to the Board. The approved quarterly reports is submitted to State Corporation Advisory Committee and National Treasury. To complement this exercise, the Commission engages external legal compliance auditors to conduct Statutory Compliance Audit biennially. In FY 2017 /2018 the Commission engaged the services of Kenya School of Law to carry out statutory legal compliance audit and implementation of the recommendations thereof carried out in FY 2019/2020.

### **Conflict of Interest, Disclosure and Purchase of Shares**

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

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

### **Sustainability reporting**

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### The Privatization Commission's Operational and Financial Performance

#### A. Core mandate

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

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

Following the signing of the contract for transactions advisory services on 14th March 2019, the consultant submitted draft diligence reports for KWAL & KMC by February 2020 for review. The reports now await consideration by the Commission once fully constituted to pave way for the next steps.

##### ii. Tourism Finance Corporation (Associated and Controlled hotels)

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

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

The contract for Transaction advisory services for the public sector owned/controlled sugar companies and Agro-Chemical and Food Company was signed on 2<sup>nd</sup> and 3<sup>rd</sup> July 2019 respectively. All the due diligence reports for the companies were prepared and delivered to the Commission. The Privatization implementation Committee (PIC) met and considered all the reports. These now await tabling before the Privatization Steering Committee (PSC) once the Board is fully constituted. The Options Analysis report for the Agro-Chemical and Food Company was submitted by the consultants on 24<sup>th</sup> March 2020. However, due to the emergence of the global COVID-19 pandemic, the privatization implementation committee could not convene to consider the report as guidelines and protocols on meetings were awaited. This will be held as soon as it is viable to do so.

##### iv. Research Services

A research titled **Comparative Analysis of Privatization and Government Divestiture: Challenges and Opportunities** was conducted in the year under review and a report with recommendations submitted in March 2020. The Commission will now embark on implementation of the recommendations over the next few years.

##### v. Stakeholder Engagement

The delay in implementation of the approved Privatization proposals is partly attributed to stakeholder resistance issues. The Commission therefore has come up with various mechanisms aimed at strengthening strategic partnerships with a view to get their buy-in through sensitization of stakeholders associated with the

entities in the Privatization Programme. To this end, the Commission hosted or took part in various stakeholder engagements as indicated below:

- a. The Commission Chairman and officers made a site visit of KWAL and held a consultative meeting with the Management, including their CEO, on 10<sup>th</sup> September 2019;
- b. The Chairman of the Commission held a consultative meeting in Migori on the privatization of SONY Sugar Company with the MP for Awendo and the leadership from that region on 30<sup>th</sup> September 2019;
- c. The CEO appeared on the Sunday Nation of 6<sup>th</sup> October 2019 on page 30, answering the question; *"How do you Ensure Strategic Assets are Protected During Privatization?"*; and
- d. The Commission convened and held Privatization Implementation Committee (Technical) meetings with the CEOs/MDs/Receiver Managers (as the case may be) of the following entities present:
  - a. Nzoia Sugar Company -10<sup>th</sup> July 2019, 9<sup>th</sup> August 2019, 5<sup>th</sup> November 2019, 30<sup>th</sup> January and 14<sup>th</sup> February 2020;
  - b. SONY Sugar Company - 10<sup>th</sup> July 2019, 9<sup>th</sup> August 2019, 12<sup>th</sup> November 2019, 30<sup>th</sup> January and 14<sup>th</sup> February 2020;
  - c. Muhoroni Sugar Company (IR) - 10<sup>th</sup> July 2019, 9<sup>th</sup> August 2019, 12<sup>th</sup> November 2019, 30<sup>th</sup> January and 14<sup>th</sup> February 2020;
- e. Miwani Sugar Company (IR) - 10<sup>th</sup> July 2019, 9<sup>th</sup> August 2019, 12<sup>th</sup> November 2019, 30<sup>th</sup> January and 14<sup>th</sup> February 2020;
  - a. Chemelil Sugar Company - 10<sup>th</sup> July 2019, 9<sup>th</sup> August 2019, 12<sup>th</sup> November 2019, 30<sup>th</sup> January and 14<sup>th</sup> February 2020;
  - b. KTDC (KWAL) – 9<sup>th</sup> September 2019, 6<sup>th</sup> February 2020;
  - c. KMC – 19<sup>th</sup> July 2019 and 21<sup>st</sup> January 2020;
  - d. TFC (Hotels) - 6<sup>th</sup> September 2019; and
  - e. ACFC – 22<sup>nd</sup> August 2019 and 4<sup>th</sup> December 2019.

## **B. Human Resource Management**

### **i. Talent Management**

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

In the effort to transform its talent management, the Commission reviewed its HR instruments and the same were approved by the SCAC and now under implementation. The review among others included an expansion of the functional

areas that did not have a clear provision for upward mobility. Based on the foregoing, the optimal staff establishment has been revised to sixty-three (63) up from forty-two (42). Additionally, during the year, human resource interventions geared towards managing existing talent and recruiting new talent were deployed and this has resulted in improved work morale for staff.

The Commission actualized the Presidential directive for internship and attachment programmes with the aim of building capacity of youth in the labour market. Towards this, the Commission recruited six (6) young graduates below the age of twenty-five (25) years into the programme. In its effort to enhance employees' welfare, the Commission promotes employee well-being at the workplace by providing services and benefits that not only motivate them but also enhance their productivity. These include the provision of a staff medical scheme, Group Personal Accident cover (24 hours), Group Life, an annual employee wellness program, and a Mortgage and Car loan scheme. Additionally, it operates a gratuity scheme for its employees on contract terms of employment.

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

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

The Commission has taken several steps towards capacity enhancement. Annual Capacity Building/Training programme is developed at the beginning of the year and implementation undertaken for the rest of the year. Most of the staff have been trained on various skills as per the training need assessments which is completed by members of staff at the beginning of the year to express on the skills gaps and inform on the trainings required.

The Policy instruments were disseminated to staff and implementation is ongoing.

The policy instruments are as follows:

- a) Grading and Organization Structure;
- b) Staff Establishment;
- c) Career Guidelines; and
- d) Human Resource Policy and Procedures Manual.

Other various policies are in place and implementation is ongoing while the Performance Management System for the strategy period is in place.

The Commission has also attracted, recruited and retained competent staff in the period under review. A survey on employee satisfaction and work environment were conducted and the implementation of the recommendations from the surveys is on-going. A further survey on the existing culture and values in the Commission was conducted and the recommendations from the survey are also under implementation.

**iii. To Establish a Functional Resource Centre by 2020**

The Commission established Knowledge management systems by benchmarking documents and implementing best practices in all functional areas. We are also implementing the Commission's Knowledge Management Policy in place.

## CORPORATE SOCIAL RESPONSIBILITY STATEMENT/ SUSTAINABILITY REPORTING

### a. Sustainability Strategy and Profile

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

### b. Environmental Performance

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

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

10% of PC's CSR budget is allocated for tree seedlings. The Commission therefore set aside Ksh.100,100 which was used to purchase 1,430 tree seedlings which the Commission staff planted at Wanjerere Forest on 14<sup>th</sup> November 2019.

### c. Employee Welfare

The Commission recognizes that in addition to offering pay benefits and a healthy working environment for employees, their emotional and social needs should also be catered for as they discharge their duties. Consequently, the Commission will pursue a policy that addresses the various social and health challenges confronting employees in the work place among them; HIV/AIDS policy, ensuring a clean, smoke-free, safe and healthy work environment as well as providing a comprehensive medical cover including last expense for the staff and their families.

### d. Market Place Practices

#### i Responsible Competition Practice

The commission ensures there is responsible competition practice through use of open tender, use of procurement and tendering committees and total compliance with PPADA Act and PFM Act 2012.

#### ii Responsible Supply Chain and Supplier Relations

Payment to suppliers for acceptable goods and services is done within the contract period and where it may not be practical to do so, the suppliers are notified in advance.

**e. Community Engagements**

- i. Donation of Special Seats to Children with Cerebral Palsy:** the Commission purchased special seats for children with cerebral palsy. The beneficiaries were identified in conjunction with the National Council for Persons with Disability (NCPWD).
- ii. Donation to Kenya COVID-19 Emergency Response Fund:** under the Humanitarian Intervention (Disaster Preparedness) focal area in the CSR Work Plan, the Commission set aside Kshs.579,810 that was donated to the Kenya COVID-19 Emergency Response Fund. Additionally, the Commission staff donated Kshs.29,000 towards the same fund bringing the total amount donated to Kshs.608,810.

## REPORT OF THE DIRECTORS

The Commission submits the report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Privatization Commission's affairs.

### **Principal Activities**

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

### **Results**

The results of the entity for the year ended June 30, 2020 are set out on page 1

### **Directors**

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

### **Dividends/Surplus Remission**

The entity did not make any surplus during the year 2019-20 and hence no remittance to the Consolidated Fund.

### **Auditors**

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

By Order of the Board



**Joseph Koskey**  
**EXECUTIVE DIRECTOR/CEO**

## STATEMENT OF DIRECTORS' RESPONSIBILITY

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

The Directors are responsible for the preparation and presentation of the Privatization Commission's financial statements, which give a true and fair view of the state of affairs of the Privatization Commission for and as at the end of the financial year (period) ended on June 30, 2020.

This responsibility includes:

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

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

The Directors are of the opinion that the Privatization Commission's financial statements give a true and fair view of the state of Privatization Commission's transactions during the financial year ended June 30, 2020, and of the Privatization Commission's financial position as at that date.

The Directors further confirm the completeness of the accounting records maintained for the Privatization Commission, which have been relied upon in the preparation of the

Privatization Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

### **Approval of the Financial Statements**

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



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

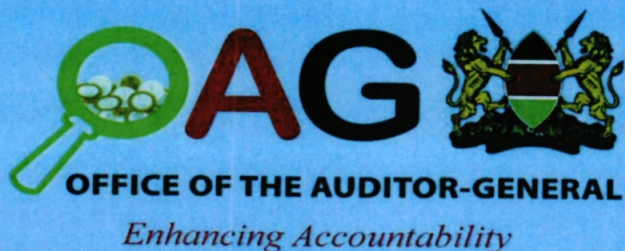


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**Mr. Joseph Koskey**  
**Executive Director /CEO**

# REPORT OF THE INDEPENDENT AUDITORS OF PRIVATIZATION COMMISSION

REPUBLIC OF KENYA



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**PRIVATIZATION COMMISSION**

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

## REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR GENERAL

*Enhancing Accountability*

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

## REPORT OF THE AUDITOR-GENERAL ON PRIVATIZATION COMMISSION FOR THE YEAR ENDED 30 JUNE, 2020

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### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Privatization Commission set out on pages 1 to 42, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects the financial position of Privatization Commission as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Privatization Act, 2005 of the Laws of Kenya.

#### Basis for Opinion

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

#### Key Audit Matters

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

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*Report of the Auditor-General on Privatization Commission for the year ended 30 June, 2020*

**Other Matter****Budgetary Control and Performance**

As reflected in the statement of comparison of budget and actual amounts, the Commission spent a total of Kshs.294,973,548 against an approved budget of Kshs.896,015,000 resulting to an under-expenditure of Kshs.594,374,452 or 66% of the budget. The under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

**REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES****Conclusion**

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

**Basis for Conclusion****1. Transaction Advisory Services**

The statement of financial performances reflects an expenditure of Kshs.163,244,085 under operational costs which includes an amount of Kshs.148,649,482 in respect of transaction advisory services on the privatization of Kenya Meat Commission, Kenya Wine Agencies, Tourism Finance Corporation; Public Sector-Controlled Sugar Companies, and Agro-Chemical and Food Company. However, the privatization programme for some of the above entities has been underway for over seven (7) years casting doubt on the likelihood of realizing value for money from the expenditure of Kshs.148,649,482 incurred on the privatization programme.

**2. E-Procurement**

Executive Order No. 6 of 2016 requires all public entities to migrate to an e-procurement platform as prescribed by The National Treasury. However, the Commission has not complied with the order.

The Commission is in breach of the Law to this extent.

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

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

### Conclusion

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

### Board of Directors

During the year under review, the Commission operated without a fully constituted Board. Only one member of the requisite eight (8) members Board had been duly appointed following the expiry of the previous Board tenure in June, 2019. Further, the appointment letter of acceptance for the sole Board member was not availed for audit review.

The Commission is therefore, in breach of the Law to this extent.

### Basis for Conclusion

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

### Responsibilities of Management and The Board of Directors

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

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

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

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

### **Auditor-General's Responsibilities for the Audit**

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

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

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


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. 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 Commission's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**22 June, 2021**

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		KShs.	KShs.
<b>Revenue from non-exchange transactions</b>			
Transfer from Ministries, Departments and Agencies	6	197,000,000	201,880,000
<b>Revenue from exchange transactions</b>			
Finance Income – external investments	7	39,029,092	67,369,932
Other Income	8		224,282
<b>Total Revenue</b>		<b>236,029,092</b>	<b>269,474,214</b>
<b>Expenses</b>			
Employee costs	9	103,277,912	106,186,609
Remuneration of directors	10	3,388,145	28,064,684
Outsourced services	11	7,666,497	6,104,234
Operational cost relating to core mandate	12	163,244,085	35,667,975
Depreciation & Amortization expenses	13	4,138,753	503,330
Repairs and maintenance	14	3,082,320	2,487,215
Use of goods and services	15	63,836,249	51,308,423
<b>Total Expenses</b>		<b>348,633,961</b>	<b>230,322,470</b>
<b>Surplus for the year</b>		<b>(112,604,869)</b>	<b>39,151,744</b>
<b>Other comprehensive income</b>			
Revaluation reserve		(12,112,088)	(6,557,746)
<b>Total Comprehensive Income</b>		<b>(124,716,957)</b>	<b>32,593,998</b>

The notes set out on pages 8 to 29 form an integral part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019-2020 KShs.	2018-2019 KShs.
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	16	812,021,693	205,938,677
Receivables from Non exchange Transactions	17	24,328,900	2,149,378
Inventories	18	523,557	633,961
Investments	19	0	700,000,000
<b>Total Current Assets</b>		<b>836,874,150</b>	<b>908,722,016</b>
<b>Non- Current assets</b>			
Property, Plant and Equipment	20	30,562,114	18,607,942
Intangible Assets	21	7,774,175	1,006,660
<b>Total Non- current Assets</b>		<b>38,336,289</b>	<b>19,614,602</b>
<b>Total Assets</b>		<b>875,210,439</b>	<b>928,336,618</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	22	8,113,624	16,955,920
Current Provisions	23	146,980,166	66,547,092
<b>Total Current Liabilities</b>		<b>155,093,790</b>	<b>83,503,012</b>
<b>Net Assets/Equity</b>			
Revenue reserve	25	703,830,740	816,435,609
Revaluation Reserve		16,285,909	28,397,997
<b>Total Net assets/Equity</b>		<b>720,116,649</b>	<b>844,833,606</b>
<b>Total net assets and liabilities</b>		<b>875,210,439</b>	<b>928,336,618</b>

The Financial Statements set out on pages 1 to 29 were signed by:



**Joseph Koskey**  
Executive Director/CEO

Date: 31<sup>st</sup> August 2020



**Virginiah Kariuki**  
Head of Finance  
ICPAK Member No. 3706

Date: 31<sup>st</sup> August 2020



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

Date: 31<sup>st</sup> August 2020

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Revenue Reserve Kshs	Revaluation Reserve Kshs	Total Kshs
<b>Reserves as at 1<sup>st</sup> July 2018</b>	<b>777,283,865</b>	34,955,743	812,239,608
Surplus for the year	39,151,744	0	<b>39,151,744</b>
Revaluation	0	(6,557,746)	<b>(6,557,746)</b>
<b>30<sup>th</sup> June 2019</b>	<b>816,435,609</b>	<b>28,397,997</b>	<b>844,833,606</b>
<b>Reserves as at 1<sup>st</sup> July 2019</b>	<b>816,435,609</b>	<b>28,397,997</b>	<b>844,833,606</b>
Deficit for the year	(112,604,869)	0	<b>(112,604,869)</b>
Revaluation	0	(12,112,088)	<b>(12,112,088)</b>
<b>30<sup>th</sup> June 2020</b>	<b>703,830,740</b>	<b>16,285,909</b>	<b>720,116,649</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Government Grants		197,000,000	201,880,000
Other revenue		39,029,092	67,594,214
<b>Total Receipts</b>		<b>236,029,092</b>	<b>269,474,214</b>
<b>Payments</b>			
Compensation of Employees		117,883,708	106,186,609
Goods and services		66,724,235	61,160,958
Other payments		110,365,605	63,732,659
<b>Total Payments</b>		<b>294,973,548</b>	<b>231,080,226</b>
<b>Net cash flows from operating activities</b>	23	<b>(58,944,456)</b>	<b>38,393,988</b>
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(34,972,528)	(6,539,728)
Increase in investments		700,000,000	(200,000,000)
<b>Net cash flows used in investing activities</b>		<b>665,027,472</b>	<b>(206,539,728)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>606,083,016</b>	<b>168,145,740</b>
Cash and cash equivalents at 1 <sup>st</sup> July 2019		205,938,677	374,084,417
<b>Cash and cash equivalents at 30<sup>th</sup> June 2020</b>		<b>812,021,693</b>	<b>205,938,677</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Notes
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Revenue</b>						
Government Grants	197,000,000		197,000,000	197,000,000		a
Other revenue	34,000,000		34,000,000	39,029,092	5,029,092	b
<b>Total income</b>	<b>231,000,000</b>		<b>231,000,000</b>	<b>236,029,092</b>	5,029,092	
<b>Expenses</b>						
Compensation of Employees	146,775,000		146,775,000	117,883,708	28,891,292	c
Goods and services	75,240,000	3,333,500	78,573,500	66,724,235	5,182,265	d
Other payments	674,000,000	-3,333,500	670,666,500	110,365,605	560,300,895	e
<b>Total expenditure</b>	<b>896,015,000</b>		<b>896,015,000</b>	<b>294,973,548</b>	<b>594,374,452</b>	
<b>Surplus (deficit) for the period</b>				<b>58,944,456</b>		

## Explanation of material variances

### Original Budget Vs Final Budget

- a. Government Grants: No change
- b. Other Revenue: No change in revenue
- c. Compensation of Employees: No change
- d. Use of Goods and Services: The increase was to cater for increased costs related to review of legal framework
- e. Other Payments: The amount was reduced to finance review of legal framework

### Final Budget Compared to Actual Expenditure

#### a. Government Grants

No change

#### b. Other Revenue

Low utilization of funds triggered increased investments hence high returns

The low utilization was due to delay in appointment of the Commission Members to approve the detailed privatization proposal reports.

#### c. Compensation to Employees

There was delay to obtain approval to recruit staff. Approval was received in August 2019 and recruitment done in Q2. In absence of the Board, approved management positions have not been filled.

#### d. Use of Goods and Services

Low utilization was caused by lack of a duly constituted board and delay in approving the rationalized budget. Approval was granted on 30<sup>th</sup> Sept 2019.

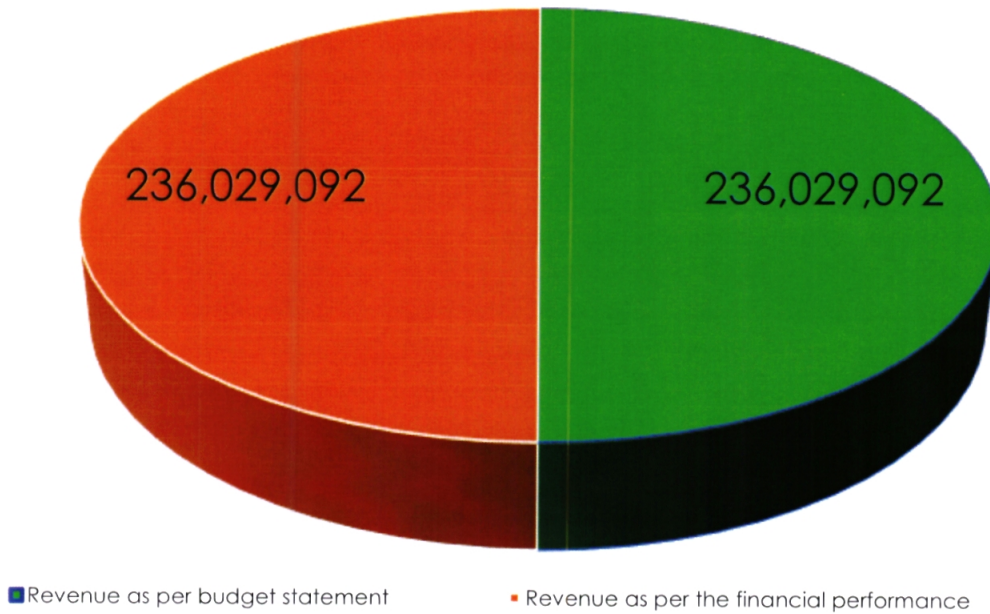
#### e. Other Payments

The low utilization was due to delayed implementation of transactions. Lack of a duly constituted Board affected the implementation of the transactions and procurement of related goods and services.

### Reconciliation of Revenue

	<b>KShs.</b>
Revenue as per budget statement	<b>236,029,092</b>
Revenue as per the financial performance	<b>236,029,092</b>

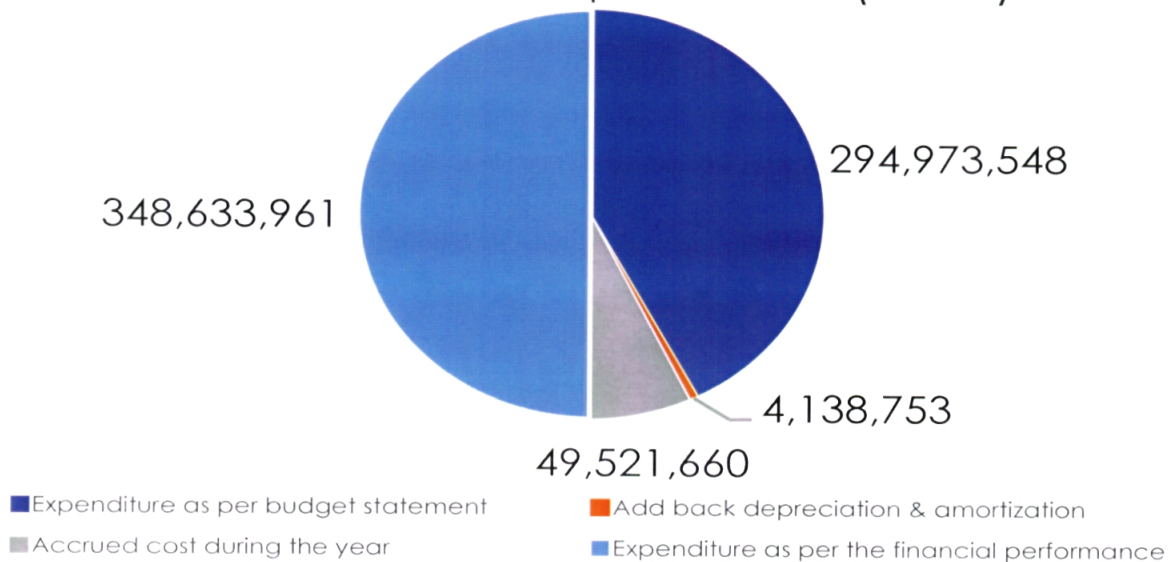
Reconciliation of Revenue (KShs.)



### Reconciliation of Expenditure

	<b>KShs.</b>
Expenditure as per budget statement	<b>294,973,548</b>
Add back depreciation & amortization	4,138,753
Accrued cost during the year	49,521,660
Expenditure as per the financial performance	<b>348,633,961</b>

Reconciliation of Expenditure (KShs.)



## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

### 3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
<b>IPSAS 40:</b>  Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. The standard is not applicable to Privatization Commission.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

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

Standard	Effective Date and Impact
<b>IPSAS 41:</b> Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>Privatization Commission will adopt the standard effective 1<sup>st</sup> July 2021.</p>
<b>IPSAS 42:</b> Social Benefits	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</li> </ol> <p>Privatization Commission will adopt the standard effective 1<sup>st</sup> July 2021</p>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

Standard	Effective Date and Impact
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2022:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p><b>Applicable: 1st January 2021:</b></p> <ul style="list-style-type: none"> <li>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</li> <li>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.</li> </ul> <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <ul style="list-style-type: none"> <li>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets.</li> </ul> <p>Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <ul style="list-style-type: none"> <li>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs).</li> </ul> <p>Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

#### iii. Early Adoption of Standards

Privatization Commission did not adopt any new or amended standards in year 2020.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a Revenue Recognition

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

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

##### ii Revenue from Exchange Transactions Interest Income

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

#### b Budget Information

The original budget for FY 2019-2020 was approved by the National Assembly 13<sup>th</sup> June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### c) Taxes

#### **Current Income Tax**

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

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

### d) Property, Plant and Equipment

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

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

The annual depreciation rates in use are:

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

### e) Intangible Assets

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

### f) Inventories

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

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

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

### g) Provisions

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

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

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

#### **Contingent Liabilities**

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

#### **Contingent Assets**

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### h) Nature and Purpose of Reserves

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

#### Revenue Reserves

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

#### Revaluation Reserves

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

### i) Changes in Accounting Policies and Estimates

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

### j) Employee Benefits

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

### k) Foreign Currency Transactions

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

### l) Related Parties

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### m) Cash and Cash Equivalents

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

### n) Comparative Figures

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

### o) Subsequent Events

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

## 5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

### a) Estimates and Assumptions

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### b) Useful Lives and Residual Values

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

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

### c) Provisions

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

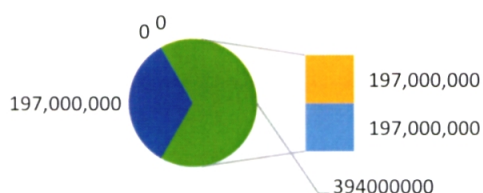
Provisions are measured at the management’s best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The provision amount relates to unpaid gratuity, salary, and ongoing contracts which relate to 2019/20 financial year

## 6. TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the entity sending the grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognized in capital fund Kshs	Total grant income during the year Kshs	2019-2020 Kshs
The National Treasury	197,000,000	0	0	197,000,000	197,000,000
<b>Total</b>	<b>197,000,000</b>	<b>0</b>	<b>0</b>	<b>197,000,000</b>	<b>197,000,000</b>

Transfers From Ministries, Departments and Agencies



- Amount recognized to Statement of Comprehensive Income Kshs
- Amount deferred under deferred income Kshs
- Amount recognized in capital fund Kshs
- Total grant income during the year Kshs
- 2019-2020 Kshs

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

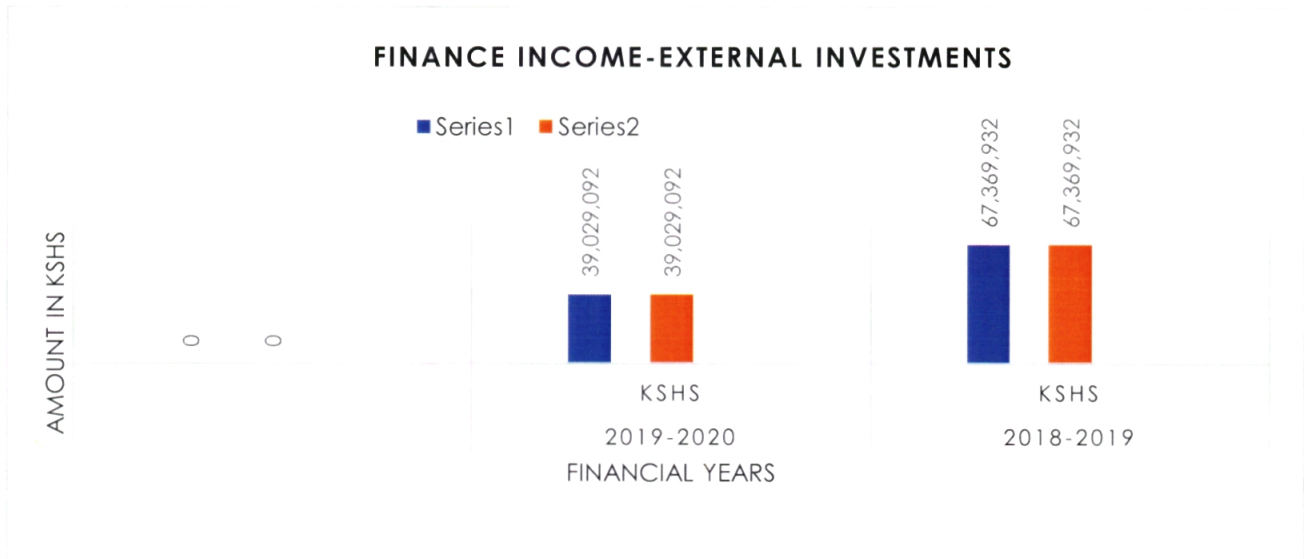
### 7. FINANCE INCOME - EXTERNAL INVESTMENTS

**Description**

Interest income from Treasury Bills

**Total finance income – external investments**

2019-2020	2018-2019
KShs	KShs
39,029,092	67,369,932
<b>39,029,092</b>	<b>67,369,932</b>



### 8. OTHER INCOME

**Description**

Sale of bidding documents

Miscellaneous income

**Total other income**

2019-2020	2018-2019
KShs	KShs
	19,798
	204,484
	<b>224,282</b>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 9. EMPLOYEE COSTS

	2019-2020	2018-2019
	Kshs	Kshs
Basic salaries	62,542,465	61,145,343
Casuals/Temporary Employees	741,437	590,669
House allowance	10,578,559	10,584,425
Remunerative allowance	1,200,000	800,000
Responsibility allowance	210,242	243,001
Acting/Special duty Allowance	22,493	1,089,392
Leave allowance	1,974,068	1,582,484
Gratuity	9,751,304	19,515,050
Telephone allowance	288,000	192,000
Commuter Allowance	2,639,942	2,819,788
Employer contribution to NSSF	71,400	72,600
Employer contribution to Pension Fund	6,147,188	
Medical Scheme	6,630,814	7,551,857
Non practicing Allowance	480,000	
<b>Total</b>	<b>103,277,912</b>	<b>106,186,609</b>

### 10. REMUNERATION OF DIRECTORS

	2019-2020	2018-2019
	KShs.	KShs.
Chairman's Honoraria	1,044,000	639,871
Directors Emoluments	1,200,000	15,270,000
Other Board expenses and allowances	1,144,145	12,154,813
<b>Total</b>	<b>3,388,145</b>	<b>28,064,684</b>

Individual payment to the Commission Members was as follows:

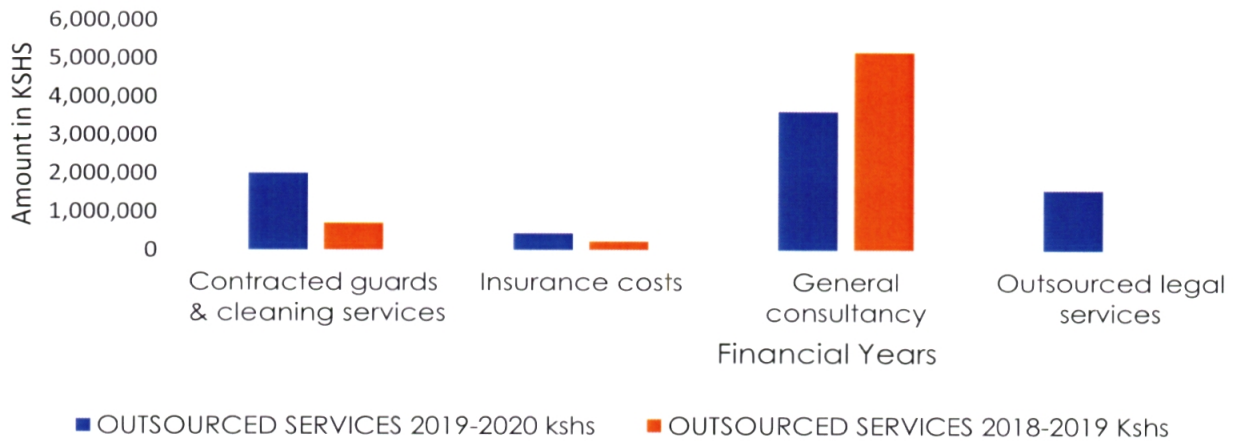
Commission Member	Amount
	Kshs.
Hon. Paul Otuoma	2,244,000
	<b>2,244,000</b>

### 11. OUTSOURCED SERVICES

	2019-2020	2018-2019
	kshs	Kshs
Contracted guards & cleaning services	2,010,488	703,125
Insurance costs	451,949	236,335
General consultancy	3,634,380	5,164,774
Outsourced legal services	1,569,680	0
<b>Total</b>	<b>7,666,497</b>	<b>6,104,234</b>

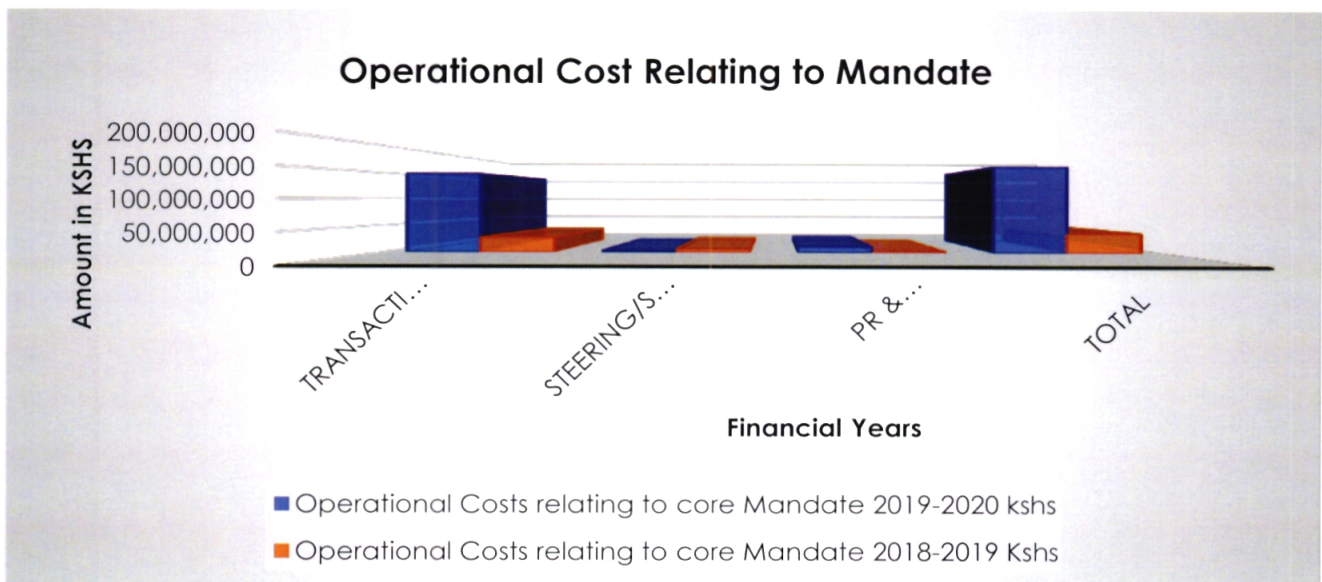
## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Outsourced Services



### 12. Operational Costs relating to core Mandate

	2019-2020 kshs	2018-2019 Kshs
Transaction advisory services	148,649,482	27,697,764
Steering/Stakeholders expenses	3,569,035	6,346,211
PR & promotional materials	11,025,568	1,624,000
<b>Total</b>	<b>163,244,085</b>	<b>35,667,975</b>



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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13. DEPRECIATION AND AMORTIZATION EXPENSES

	2019-2020	2018-2019
	Kshs	Kshs
Intangible assets	4,138,753	503,330

### 14. REPAIRS & MAINTENANCE

	2019-2020	2018-2019
	Kshs	Kshs
Maintenance expenses- Motor vehicles	845,222	891,469
Maintenance expenses- Office equipment	187,146	70,064
Maintenance expenses- Office furniture & fittings	24,100	7,700
Maintenance expenses- buildings	127,452	411,516
Maintenance expenses- IT equip & computers	1,898,400	1,106,466
<b>Total</b>	<b>3,082,320</b>	<b>2,487,215</b>

### 15. USE OF GOODS AND SERVICES

	2019-2020	2018-2019
	Kshs	kshs
Telephone	938,444	1,176,611
Internet connections	765,600	748,287
Courier & postal	15,805	14,460
Domestic travel & accommodation	2,028,147	1,839,614
Foreign Travel	171,782	
Training expenses	7,893,814	8,334,666
Welfare	392,469	1,136,000
Club /professional membership	480,760	520,976
Newspapers and magazines	255,833	259,607
Rent & rates- non residential	8,955,247	8,115,939
Official entertainment	432,668	768,423
General office supplies	467,126	874,316
Computer stationery	383,410	632,763
Detergents	45,629	63,232
Refined fuels & lubricants	597,622	761,679
Bank service commission and charges	130,197	122,290
Corporate Social Responsibility	1,000,000	401,920
Withholding tax	34,439,828	20,341,259
Media Advertising	3,284,700	3,400,000
Publishing and printing	323,183	85,118
Publicity and promotional	248,490	543,648
Minor Assets W/O	5,495	587,615
Audit fees	580,000	580,000
<b>Total</b>	<b>63,836,249</b>	<b>51,308,423</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 16. CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Current Accounts	691,057,553	<b>76,507,053</b>
Staff mortgage	73,695,059	84,796,353
Staff Gratuity	47,179,455	44,436,985
Petty cash	89,626	198,286
<b>Total</b>	<b>812,021,693</b>	<b>205,938,677</b>

#### 16.(a) CASH AND CASH EQUIVALENTS

No.	Financial Institutions/Banks	Account No	2019-2020 KShs	2018-2019 KShs
<b>A) Current Account</b>				
	Co-operative Bank	0114118908900	595,736,786	15,777,476
	KCB	1104820730	95,320,767	60,729,577
<b>B) Staff Car Loan/Mortgage</b>				0
	HFC	2299583401-0	73,695,059	84,796,353
<b>C) Savings Account</b>				0
	KCB- KICC	1223199975	47,179,455	44,436,985
<b>E) Others</b>				0
	Cash-on-hand and in transit	Cashbox	89,626	198,286
	<b>Total</b>		<b>812,021,693</b>	<b>205,938,677</b>

Components of Cash and cash equivalents are not restricted.

### 17. RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS

	2019-2020	2018-2019
	KShs	KShs
Imprests & Advances	547,591	674,791
Interest receivables	0	1,474,587
Prepaid rent	7,172,926	
Staff Mortgage and car loan	16,608,383	
<b>Total</b>	<b>24,328,900</b>	<b>2,149,378</b>

### 18. INVENTORIES

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

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

	2019-2020	2018-2019
	KShs	KShs
Stationery supplies	523,557	633,961
	<b>523,557</b>	<b>633,961</b>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 19. INVESTMENTS

	2019-2020	2018-2019
	Kshs	Kshs
Investment in Treasury bills and Bonds at CBK		700,000,000
		<b>700,000,000</b>

### 20. PROPERTY, PLANT AND EQUIPMENT

Cost/Valuation	Motor Vehicles	Furniture and fittings	Equipment	Computers	Totals
<b>Cost/Valuation</b>					
<b>As at 1<sup>st</sup> July 2018</b>	<b>5,620,000</b>	<b>17,093,000</b>	<b>2,593,800</b>	<b>5,390,552</b>	<b>30,697,352</b>
Additions			674,560	4,355,178	5,029,738
<b>As at 30<sup>th</sup> June 2019</b>	<b>5,620,000</b>	<b>17,093,000</b>	<b>3,268,360</b>	<b>9,745,730</b>	<b>35,727,090</b>
<b>Depreciation and impairment</b>					
As at 1 <sup>st</sup> July 2018	1,405,000	4,273,250	648,450	4,234,702	10,561,402
Charge for the Year	1,405,000	2,136,625	408,545	2,607,576	6,557,746
<b>As at 30<sup>th</sup> June 2019</b>	<b>2,810,000</b>	<b>6,409,875</b>	<b>1,056,995</b>	<b>6,842,278</b>	<b>17,119,148</b>
<b>NBV as at 30<sup>th</sup> June 2019</b>	<b>2,810,000</b>	<b>10,683,125</b>	<b>2,211,365</b>	<b>2,903,452</b>	<b>18,607,942</b>
<b>Cost/Valuation</b>					
<b>As at 1<sup>st</sup> July 2019</b>	<b>5,620,000</b>	<b>17,093,000</b>	<b>3,268,360</b>	<b>9,745,730</b>	<b>35,727,090</b>
Additions	14,500,000	0	497,100	9,069,160	24,066,260
<b>As at 30<sup>th</sup> June 2020</b>	<b>20,120,000</b>	<b>17,093,000</b>	<b>3,765,460</b>	<b>18,814,890</b>	<b>59,793,350</b>
<b>Depreciation and impairment</b>					
As at 1 <sup>st</sup> July 2019	2,810,000	6,409,875	1,056,995	6,842,278	17,119,148
Charge for the Year	5,030,000	2,136,625	470,684	4,474,779	12,112,088
<b>As at 30<sup>th</sup> June 2020</b>	<b>7,840,000</b>	<b>8,546,500</b>	<b>1,527,679</b>	<b>11,317,057</b>	<b>29,231,236</b>
<b>NBV as at 30<sup>th</sup> June 2020</b>	<b>12,280,000</b>	<b>8,546,500</b>	<b>2,237,781</b>	<b>7,497,833</b>	<b>30,562,114</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 21. INTANGIBLE ASSETS -SOFTWARE

	2019-2020	2018-2019
	Kshs	Kshs.
<b>COST</b>		
Opening Balance	11,657,714	10,147,724
Additions during the year	10,906,268	1,509,990
<b>Total</b>	<b>22,563,982</b>	<b>11,657,714</b>
<b>AMORTIZATION</b>		
Opening Balance	10,651,054	10,147,724
Charge for the Year	4,138,753	503,330
<b>Total</b>	<b>14,789,807</b>	<b>10,651,054</b>
<b>NET BOOK VALUE AT END OF THE YEAR</b>	<b>7,774,175</b>	<b>1,006,660</b>

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

As at 30<sup>th</sup> June 2020, intangible assets worth Kshs.10,147, 711 had been fully amortized for a period of three years.

### 22. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2019-2020	2018-2019
	Kshs	Kshs
Trade creditors	6,667,091	13,092,462
Other payables	1,446,533	3,863,458
<b>Total</b>	<b>8,113,624</b>	<b>16,955,920</b>

### 23. CURRENT PROVISIONS

	Leave Provision	Staff Gratuity/ Pension	Corporate Tax	Other provision	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Balance at the beginning of the year	2,247,993	32,181,074	30,155,040	1,962,985	66,547,092
Additional provisions raised	0	22,432,864	28,613,744	63,908,917	114,955,525
Provisions Utilized	(2,247,993)	(30,891,473)		(1,382,985)	(34,522,451)
<b>Closing Balance</b>	<b>0</b>	<b>23,722,465</b>	<b>58,768,784</b>	<b>64,488,917</b>	<b>146,980,166</b>

Provisions relates to:

- Accumulated staff gratuity which is payable on expiry of the contract and Employer contribution towards pension scheme due for payment on 1<sup>st</sup> July 2020.
- Unpaid corporate tax ( pending an appeal for a waiver/exemption)
- Provisions for ongoing/uncompleted contracted services which related to 2019/20 financial year.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 24. CASH GENERATED FROM OPERATIONS

	2019-2020	2018-2019
	Kshs	Kshs
Surplus for the year before tax	(112,604,869)	39,151,744
Add back Depreciation	4,138,753	503,330
Working Capital Adjustments		
Decrease in Inventories	110,404	1,040,393
Increase in receivables	(22,179,522)	91,274,393
Increase in payables	71,590,778	(1,027,100)
<b>Total</b>	<b>(58,944,456)</b>	<b>38,393,988</b>

### 25. FINANCIAL RISK MANAGEMENT

Privatization Commission's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Organization's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The Commission does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

#### i. Credit Risk

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Total Amount	Fully Performing	Past Due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2020</b>				
Bank Balances	812,021,693	812,021,693	-	-
Receivables from Exchange Transactions	39,029,092	39,029,092	-	-
Receivables from Non-Exchange Transactions	197,000,000	197,000,000	-	-
<b>At 30 June 2019</b>				
Bank Balances	905,938,677	905,938,677	-	-
Receivables from Exchange Transactions	67,594,214	67,594,124	-	-
Receivables from Non-Exchange Transactions	201,880,000	201,880,000	-	-

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

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

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

### ii. Liquidity Risk Management

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Less than 1 month Kshs	Between 1-3 months Kshs	Over 3 months Kshs	Total Kshs
<b>At 30 June 2020</b>				
Trade payables	6,215,212	295,280	156,600	6,667,092
Provisions	1,978,196	59,700,603	61,578,890	123,257,689
Payroll deductions	1,379,046	0	67,500	1,446,546
Employee benefit obligation	7,766,334	3,902,996	12,053,133	23,722,463
	<b>17,338,788</b>	<b>63,898,879</b>	<b>73,856,123</b>	<b>155,093,790</b>
<b>At 30 June 2019</b>				
Trade payables	4,013,744	8,483,557	595,160	13,092,461
Provisions	11,593,542	392,045	20,132,439	32,118,026
Payroll deductions	3,863,458	0	0	3,863,458
Employee benefit obligation	2,959,847	4,540,552	26,928,668	34,429,067
	<b>22,430,591</b>	<b>13,416,154</b>	<b>47,656,267</b>	<b>83,503,012</b>

### iii. Market Risk

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

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

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

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

### Foreign Currency Risk

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Interest Rate Risk

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

### Management of Interest Rate Risk

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

### iv. Capital Risk Management

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

	2019-2020 Kshs	2018-2019 Kshs
Revaluation reserve	16,285,909	28,397,997
Retained earnings	703,830,740	816,435,609
<b>Total Funds</b>	<b>720,116,649</b>	<b>844,833,606</b>

## 26. RELATED PARTY BALANCES

### Nature of Related Party Relationships

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

### Government of Kenya

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019-2020	2018-2019
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Grants from the Government</b>		
Grants from National Government	197,000,000	201,880,000
<b>Total</b>	<b>197,000,000</b>	<b>201,880,000</b>
<b>b) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	103,277,912	106,186,609
<b>Total</b>	<b>103,277,912</b>	<b>106,186,609</b>
<b>c) Key management compensation</b>		
Directors' emoluments	388,146	28,064,685
Compensation to the CEO	9,056,000	5,842,000
Compensation to key management	60,476,294	41,350,288
<b>Total</b>	<b>72,920,440</b>	<b>75,256,973</b>

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

### 27 CAPITAL COMMITMENTS

The following Capital commitments are expected to be incurred in the year 2020/21. They had been approved and/or contracted.

	2019/20	2018/19
	Kshs	Kshs
<b>Approved and contracted</b>		
Transaction costs	477,000,000	644,000,000
<b>Approved and not contracted</b>		
Acquisition of tangible assets	6,000,000	23,000,000
Acquisition of intangible assets	20,000,000	25,000,000
Office partitioning & relocation	79,000,000	48,000,000
Staff Mortgage and car loan	74,000,000	84,000,000
	<b>656,000,000</b>	<b>824,000,000</b>

### DIVIDENDS/SURPLUS REMISSION

The entity did not submit any surplus during the financial year 2019/2020

### 29 TAXATION

During the year the Commission didn't pay Corporation tax but a provision of 30% has been made pending KRA decision on a request appealing for waiver/ exemption.

### 30 EVENTS AFTER THE REPORTING PERIOD

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 31 ULTIMATE AND HOLDING ENTITY

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

### 32 CURRENCY

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

## STATEMENT OF ASSETS AND LIABILITIES OF PRIVATIZED ENTITIES

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

## APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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

-----  
**Executive Director/CEO**  
**Date:** 31<sup>st</sup> August 2020

-----  
**Chairman of the Board**  
**Date:** 31<sup>st</sup> August 2020

## APPENDIX II: PROJECTS IMPLEMENTED BY THE PRIVATIZATION COMMISSION

### Projects

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

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

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

### Status of Projects completion

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

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

### APPENDIX III: INTER-ENTITY TRANSFERS


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

The Commission does not have any inter-entity transfers.

## APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others (must be specific)	
NATIONAL TREASURY	22/8/19	Recurrent	49,250,000	49,250,000					49,250,000
NATIONAL TREASURY	30/10/19	Recurrent	49,250,000	49,250,000					49,250,000
NATIONAL TREASURY	10/02/20	Recurrent	49,250,000	49,250,000					49,250,000
NATIONAL TREASURY	14/05/20	Recurrent	49,250,000	49,250,000					49,250,000
<b>Total</b>			<b>197,000,000</b>	<b>197,000,000</b>					<b>197,000,000</b>





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