

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 28 FEB 2024

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TABLED  
BY:

Hon Naomi Wago, MP  
Deputy Majority Whip

CLERK-AT  
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**THE AUDITOR-GENERAL**

**ON**

**ENERGY AND PETROLEUM REGULATORY  
AUTHORITY STAFF MORTGAGE AND  
CAR LOAN SCHEME**

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



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
KENYA

29 SEP 2023

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**ENERGY AND PETROLEUM REGULATORY AUTHORITY STAFF MORTGAGE AND  
CAR LOAN SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2023**

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

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**1. Abbreviations, Acronyms and Glossary of Terms**

**A. Abbreviations And Acronyms**

BETA	Bottom Up Economic Transformation Agenda
CSR	Corporate Social Responsibility
EPRA	Energy and Petroleum Regulatory Authority
IPSAS	International Public Sector Accounting Standards
KCB	KCB Bank
KFS	Kenya Forestry Services
OSHA	Occupational Safety and Health Act
PFM	Public Finance Management
SAGA	Semi- Autonomous Government Agency
SC	State Corporation
SCAC	State Corporation Advisory Committee
SMCAC	Staff Mortgage and Car Loan Advisory Committee

## **2. Key Scheme information and management**

### **a) Background information**

The scheme is established by the Energy & Petroleum Regulatory Authority which derives its authority and accountability from the Energy Act, 2019. The scheme was established on 29<sup>th</sup> May 2014. The scheme is wholly owned by the Energy & Petroleum Regulatory Authority and is domiciled in Kenya.

### **b) Principal Activities**

The Authority is the energy sector regulatory agency responsible for economic and technical regulation of electric power, coal, renewable energy and petroleum subsectors.

The principal purpose of the scheme is to provide low interest mortgage and car loan facilities to the employees of the Authority.

The Scheme is administered under the management of the Energy and Petroleum Regulatory Authority under the leadership of the Director General. The Board of the Authority oversight the Administration of the Scheme. The Scheme administration has been delegated to the KCB Bank which is charged with the responsibility of processing loans for applicants in accordance with laid down approved regulations. Management of the Authority is responsible for setting up a revolving Fund for the disbursement of loans, and supervising the day-to-day operations of the Scheme.

The KCB Bank is responsible for the day-to-day operations of the Scheme.

**c) Board Members**

<b>Ref</b>	<b>Position</b>	<b>Name</b>	<b>Changes</b>
1	Chairman	Hon.Prof Justice Jackton Boma Ojwang	
2	PS, State Department for Energy, Member	Mr. Alex Wachira, BSCN	Appointed, December 2022
3	PS, State Department for Petroleum, Member	Mr. Mohamed Liban	Appointed, December 2022
4	Alternate to PS, State Department for Energy	Mr. Masini Ichwara	
5	Alternate to PS, National Treasury	Mr. Albert Mwenda	
6	Representative CoG, Member	Mr. Barnabas Ngeno	
7	Member	Eng. Mercy Wambugu	
8	Member	Mr. Daniel Ndonye	
9	Member	Mr. Moses Mutuli	
10	Member	Mr. George Mwakule	
11	Member	Ms. Caroline Githii	
12	Director General	Mr. Daniel Kiptoo Bargoria	
13	Corporation Secretary	Ms. Mueni Mutung'a	

**j) Principal Legal Adviser**

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

### 3. The Board Members



Hon. Prof. Jackton Boma Ojwang  
Board Chairman

Hon. Justice. Prof. Jackton B. Ojwang, was appointed Chairman of EPRA's Board of Directors for a four-year term with effect from 12<sup>th</sup> May 2020. Prof. Ojwang is a retired judge of the Supreme Court of Kenya with a span of 45 years' experience in the legal profession.

Prof. Ojwang has had an illustrious 17-year career in the Judiciary after having been first appointed a high court Judge in 2003 and then elevated to the Supreme Court in 2011 as one of the key seven Judges of the newly created apex court.

He holds Bachelor's and Master's degrees in Law from the University of Nairobi and a PhD in Comparative Constitutional Law from Downing College, Cambridge. In 2015, he earned a Doctor of Laws degree (LLD) from the University of Nairobi making him the first sitting judge to receive the Degree. He is an accomplished scholar and who has authored numerous academic papers and other scholarly works. He has also taught at reputable universities around the world including the University of Nairobi where he served for 27 years. He has also been a visiting Associate Professor of Law at the J. Reuben Clark Brigham Young University Law School in the United States.

Prof. Ojwang was awarded the University of Nairobi's Staff Merit Award in recognition of his outstanding contribution towards the University's mission. He was also bestowed the coveted East African Law Society Senior Lawyer of Year Award in 2013 for his remarkable legal and judicial career. Up to February 2020, he sat on the Council of Legal Education Board where he chairs the Quality Assurance & Compliance Committee.

Date of Birth: 10<sup>th</sup> February, 1950



Mr. Alex Wachira, BSCN

Principal Secretary, State Department  
for Energy

Mr. Alex Wachira was appointed the Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy in December 2022. He holds a Bachelor of Science degree in Nursing from the University of Nairobi and is currently pursuing a Master of Arts degree in Leadership at Pan African Christian University. He has a wealth of experience from the private sector where he worked as an investment banker. He previously worked with Faida Investment Bank where he traded and structured treasury bonds and corporate bonds at the Nairobi Securities Exchange. He has also worked with Dyer & Blair Investment Bank and Genghis Capital limited. Mr. Wachira was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers. He has spearheaded community initiatives such as youth mentorship programme and sports tournaments among other similar projects.

Date of Birth: 12<sup>th</sup> January 1982




Mr. Mohamed Liban  
Principal Secretary, State Department  
for Petroleum

Mr. Mohamed Liban is the Principal Secretary for the State Department for Petroleum having been appointed to the position in December, 2022. Prior to the appointment, he was the Chairman of the Ewaso Ng'iro North Development Authority, a position he held from 2019.

Mr. Liban has a wealth of leadership capabilities having served as Regional Elections Coordinator under the Independent Electoral and Boundaries Commission from 2009 - 2017. Other positions held include Regional Health Manager with the Kenya Red Cross Society and Deputy Chief Clinical Officer at the Ministry of Health.

Among other qualifications, Mr. Liban holds a Masters of Public Health and Epidemiology from Kenyatta University, Higher National Diploma in Cataract Surgery from the Kenya Medical Training College (KMTTC), International Diploma in Community Eye Health from London University and, Higher National Diploma in Ophthalmology from KMTTC. He has also attended several Human

	<p>Resource Management courses. The PS is a Life Member of the Kenya Society for the Blind and Kenya Red Cross Society.</p> <p>Date of Birth: 2<sup>nd</sup> June 1961</p>
 <p>Mr. Albert Mwenda Alternate to PS, National Treasury</p>	<p>Mr. Albert Mwenda is the Director General, Budget, Fiscal and Economic Affairs. He holds a Master’s degree in Public and Economic Policy from the London School of Economics and Political Science (LSE), UK as well as a Masters of Business Administration (Finance) from the University of Nairobi (UON). He also holds a Bachelor of Arts degree in Economics from the University of Nairobi (UON).</p> <p>He has over 20 years of experience in central government and private sector organizations. Albert was appointed as an Advisor to the National Treasury of the Government of Kenya in 2011. In this capacity, he advised the National Treasury on public finance management reforms as well as fiscal decentralization.</p> <p>Prior to his current appointment he served as the Director of the Intergovernmental Fiscal Relations Department of the National Treasury which he helped to establish. He has made significant contributions in the recent development of Kenya’s policy and legislative framework for public finance management, including the management of fiscal relations between the two levels of government. He was appointed Board member of the Authority on 10<sup>th</sup> August, 2020.</p> <p>Date of Birth: 10th May 1971</p>



Mr. Barnabus Ngeno  
Representative Council of Governors.

Hon. Barnabas Ngeno has vast experience in housing, lands and urban governance. Hon. Ngeno also serves as the National Program Technical Committee Co- Chair for of Kenya Urban Support Program (KUSP), and is a member of the program's National Steering Committee. KUSP is a \$300 Million World Bank fund that supports infrastructural development in 45 counties.

Hon. Ngeno has led the sector technical team during a critical moment of transition into the new constitutional dispensation. His team has overseen the successful development of the policy, legislative and regulatory framework that currently governs the expansive sector. Hon. Barnabas Ngeno is the Council of Governors' representative in the board. He has a Bachelor's Degree in Business Management from Moi University, and is an MBA Finalist at Kenyatta University. He is the inaugural Chairperson and founder of the Institute of Corporate Governance.



Date of Birth: 9<sup>th</sup> May 1982





Eng. Mercy Wambugu  
Board Member

Eng. Wambugu is an Independent Consultant with a special interest in the oil and energy sector. She is passionate about helping organizations achieve operational excellence through professional advice and hands-on support, working mostly in association with other consultants (2013 to-date). Her clients include both public and private organizations with an interest in the oil sector.

Eng. Wambugu has extensive experience in the corporate world including a 27-year career-span with the Shell Group (1986-2013) with core competences in petroleum downstream operations as well as generic management functions such as leading/managing teams, budgeting/financial management and project/change management. In her last role with Shell, she worked as a member of the project team that managed Shell's divestment from its downstream business in Africa and transition to Vivo Energy BV. Prior to that she

	<p>worked as the oil terminal operations advisor for Africa and held various operational roles within the Kenya Shell. Earlier in her career, she handled public sector engineering projects under the Ministry of Public Works (1983-1986).</p> <p>Date of Birth: 27<sup>th</sup> May 1961</p>
 <p>Mr. Daniel Ndonge Board Member</p>	<p>Mr. Daniel Ndonge is a chartered accountant by profession, having worked with Deloitte &amp; Touche for over 30 years, 20 of which he was the Managing/Senior Partner. He holds a Bachelor of Commerce degree from the University of Nairobi. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Certified Public Accountants of Kenya and the Institute of Certified Secretaries of Kenya. He sits on the boards of several companies, two (2) of which are listed on the Nairobi Securities Exchange.</p> <p>Date of Birth: 24<sup>th</sup> August 1949</p>
 <p>Mr. Moses Mutuli Board Member</p>	<p>Mr. Mutuli is currently the General Manager, Life Insurance East Africa, for Sanlam Pan Africa. For his role, he serves in the Boards of Sanlam in Uganda, Tanzania, Rwanda and Burundi and in addition is a Director at Hubris Holdings Ltd in Kenya.</p> <p>Moses is a qualified actuary and is a Fellow of the Institute of Actuaries UK (FIA) and Fellow of The Actuarial Society of Kenya – TASK (FeASK). He is the immediate past chairman of TASK. He has over 18yrs experience in insurance and actuarial consulting gained in UK, SA and Kenya. He is a Rhodes Scholar and holds an MBA and MSc in Applied Statistics both gained from University of Oxford (UK) and BSc Mathematics from University of Nairobi.</p> <p>Date of Birth: 2nd April 1977</p>

 <p>Mr. George Mwakule Board Member</p>	<p>Mr. George Mwakule is an Information Technology professional with vast experience in the corporate world including 21 years with Coca-Cola in Africa, Middle East and Turkey. He managed multi-country infrastructure services delivery, led information technology projects and systems integration within The Coca-Cola Company and its franchise bottling partners. His early corporate career was at Barclays Bank of Kenya where he led transformative technology projects in data centers, cheque processing and office automation. He also worked at Kenya Posts &amp; Telecommunication Corporation as an Executive Engineer and implemented several telephone and data transmission systems. He holds a Bachelor of Science Degree in Electrical Engineering from the University of Nairobi.</p> <p>Date of Birth: 9<sup>th</sup> April 1963</p>
 <p>Mr. Masini J. Ichwara Alternate to PS, State Department for Energy</p>	<p>Mr. Masini J. Ichwara is currently the Director of Planning in the Central Planning and Programme Monitoring Unit at the Ministry of Energy. He previously served at the same level at the Ministry of Industrialization, Trade and Enterprise Development, State Department for Industrialization.</p> <p>Mr. Ichwara has comprehensive national and international development level experience spanning over 25 years having worked for UNDP-Somalia as a Research Officer, UNDP-Kenya as a Monitoring and Evaluation Specialist and as a consultant for UNFPA, UNICEF and UNWomen. He previously worked for the Kenya National Bureau of Statistics and the Monitoring and Evaluation Directorate at National Treasury and Planning.</p> <p>Date of Birth: 12<sup>th</sup> December, 1969</p>



Ms. Caroline Gathii  
Board Member

Ms. Gathii is a governance, trade and risk experts with over twenty (20) years of multi-sectoral and regional experience in governance, risk and financial management. She commenced her career at PwC, before moving to KPMG East Africa and later to the European Union. She currently manages a risk advisory company, FirstIdea Consulting (FIC) Limited.

Her expertise has seen her serve as a board member at Faulu Bank, Africa Economic Research Consortium (AERC) and Wetlands International Board. She also serves as a board advisor and the immediate Past President of Organization of Women in International Trade (OWIT) Kenya and the Advisor of OWIT African Countries.

Ms. Gathii holds a Master's degree in Financial Management and a Bachelor of Science in Accounting. She also holds an International Professional Diploma and Certificate in Enterprise Risk Management (ERM) from the Institute of Risk Management (IRM), United Kingdom. She is a Certified Public Accountant (CPA-K) and holds a Higher Diploma in Human Resource Management (HRM).

Date of Birth: 18<sup>th</sup> November, 1974



Mr. Daniel Kiptoo  
Director General

Mr. Daniel Kiptoo is a consummate energy professional, he is a lawyer by training but an energy specialist by trade. He has vast experience in the electricity and petroleum sub sectors with a specific focus in policy formulation, legislative drafting, regulation, negotiation, and structured financing.


He is currently the Director General of the Energy and Petroleum Regulatory Authority (EPRA) in Kenya, the Authority is the body mandated with the technical and economic regulation of the electricity and petroleum sectors in the Republic of Kenya. In his current role, which commenced on the 14<sup>th</sup> of December 2020, he regulates the entire

value chain in electricity, from generation, transmission, distribution and retail as well as upstream, midstream and downstream in petroleum.





Previously, he served as the legal advisor in the Ministry of Energy and Petroleum. At the Ministry, he was the Chairman of the Government's First Oil Committee charged with delivery of first oil for Kenya. He also represented Kenya in several Investor-State Arbitrations and was a member of two task forces on Independent Power Producers (IPPs). Prior to his role as legal advisor, he worked in the private sector with an Africa centric oil & gas risk consultancy as the oil & gas legal affairs director and with the Energy Regulatory Commission (ERC) in the Legal department. He is one of the drafters of the Kenyan Energy Act (2019) and Petroleum Act (2019).





He holds Master of Business Administration (MBA) degree in Energy & Sustainability from the University of Cumbria and a Master of Laws (LLM) in Petroleum Law and Policy from University of Dundee, both in the United Kingdom, a bachelor's degree in law (LLB) from the University of Nairobi and a Post Graduate Diploma (Dip.) from the Kenya School of Law. Mr. Kiptoo is a Harvard Senior Executive Fellow (SEF) and he holds two executive certificates, one in public policy and another in economic development, both from the Harvard Kennedy School of Government. He is currently pursuing a PhD from the Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP) at the University of Dundee.

With respect to professional associations, in addition to being a member of the law society of Kenya in good standing having been called to the bar to as an Advocate of the High Court of Kenya, he is a corporate governance practitioner being a qualified Certified Secretary (CS) and is also a member of the Association of International Energy Negotiators (AIEN), a global body of international energy negotiators.

	<p>Mr. Kiptoo has been awarded the Order of the Grand Warrior by the President of the Republic of Kenya. The Order of the Grand Warrior (OGW) is an award presented to individuals in recognition of an outstanding service rendered to the Country.</p> <p>Date of Birth: 17<sup>th</sup> February, 1984</p>
 <p>Ms. Mueni Mutunga Board Secretary</p>	<p>Ms. Mutunga holds a Master’s in Business Administration and a Bachelor of Laws degree both from the university of Nairobi, and a diploma in legal practice from the Kenya School of Law. She is an advocate of the High Court of Kenya, a member of the Institute of Directors, the Institute of Certified Secretaries of Kenya and Chartered Institute of Arbitrators. She has also trained extensively in Good Corporate Governance.</p> <p>She started her career as an advocate and worked as an associate with the law firm of Robson Harris &amp; Co advocates. She later moved to Total Kenya Ltd where she worked as a legal officer. Thereafter she worked as the Corporation Secretary and Head of Legal services at Kenya Wildlife Service prior to taking up her current appointment as the Board Secretary and Director Legal Services.</p> <p>Date of Birth: 28th February, 1964</p>

**4. Management Team**

 <p>Mr. Daniel Kiptoo Bargarora</p>	<p>Director General: Board Member and Chief Executive Officer of the Authority.</p>
 <p>Dr. John Mutwii Mutua PhD (Economics)</p>	<p>Ag. Director, Economic Regulation: Heading the Economic Regulation function of the Authority.</p>
 <p>Ms. Mueni Mutung'a MBA, LL. B (Hons), CPS (K), Dip. Law (KSL)</p>	<p>Corporation Secretary &amp; Director Legal Services: Secretary to the Board and Head of the Legal function of the Authority.</p>
 <p>Dr. Eng. Joseph Oketch MBA, BSc (Elec. Eng.), C. Eng., MIEK, PhD.</p>	<p>Director, Electricity &amp; Renewable Energy: Heading the Electricity &amp; Renewable Energy subsector regulation function of the Authority.</p>

 <p>Eng. Edward Kinyua Msc (Energy Management), B.Tech (Mech. &amp; Prod. Eng)</p>	<p>Director Petroleum &amp; Gas: Heading the Downstream Petroleum &amp; Gas Regulation function of the Authority.</p>
 <p>Mr. Cyprian Nyakundi MBA, Bcom, CPA(K)</p>	<p>Director, Public Education, Advocacy &amp; Consumer Protection: Heading the Public Education, Advocacy &amp; Consumer Protection function of the Authority.</p>
 <p>CPA James Kilonzo MBA, Bcom, CPA(K), CISA</p>	<p>Ag. Director, Corporate Services: Heading the Corporate Services functions of the Authority (Finance &amp; Accounts, HR &amp; Admin, Corporate Communications &amp; ICT)</p>
 <p>CPA Everlyne Orege MBA, Bcom, CPA (K)</p>	<p>Ag. Director, Directorate of Internal Audit and Risk Assurance: Heading the Internal Audit and Risk Assurance function of the Authority.</p>



Ms. Loise Thuge  
Msc, BA MCIPS(UK), MKISM

Deputy Director, Supply Chain Management: Heading the supplies and procurement functions of the Authority.

## **5. Chairman's Report**

Key strategic objectives of the Energy & Petroleum Regulatory Authority is to enhance institutional capacity and overall development of human resources. These include competitive recruitment and retention of high quality employees. The Authority prides itself in the calibre of staff in its employment. It recognizes employees as a major stakeholder and human capital as its greatest asset and the driving force towards achieving its mandate. This is evidenced by the successful implementation of the Authority's mandate and achievement of key performance objectives in the year ended 30th June 2023. This is directly attributed to the effort exerted by the Authority's employees towards achieving superior service delivery.

It is my honour to present the Energy & Petroleum Regulatory Authority Mortgage and Car Scheme Annual Report and Financial Statements for the Financial Year 2022/2023. The Scheme has been aligned to respond to the BETA initiative by the National government. The Authority has manifested this by providing its employees with an affordable housing product at a very competitive interest rate of 3%. I am glad to report that the Scheme has continued to attract the interest and needs of employees and thus justifying the need for introduction of this employee welfare facility. The Authority has continued to innovate and make the facility attractive to its employees.

Therefore, employee welfare has continued to take a paramount position in the operations of the Authority. The Authority has purposed to grow the scheme by providing adequate funding in order to accommodate the needs of all employees who are interested in buying a house or car. The EPRA scheme was started with an initial capital injection of Kshs 48,000,000 in the financial year 2014/2015. This has grown to Kshs.449, 586,616 as at 30th June 2023. The uptake of the facility has also increased and the Board continues to review the performance of the scheme to ensure optimal allocation and utilization of resources.

I wish to encourage staff to take advantage of this facility and provide a home for themselves and their families and to enjoy the benefits of owning a car at very low rates of interest.



Hon. Prof. Jackton Boma Ojwang

Board Chairman

## **6. Report of the Director General**

The Energy & Petroleum Regulatory Authority continue to explore various ways of improving staff welfare, being cognisant of the fact that employees are the Authority's greatest asset. A motivated and happy employee usually results in improved productivity. Management has identified the mortgage and car loan scheme as one of the greatest motivators of staff and a significant tool in staff retention.

I have the pleasure of presenting the Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme Annual Report and Financial Statements for the year ending 30<sup>th</sup> June 2023. The financial statements comprise of the Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Net Assets, Statement of Cashflow and Statement of Comparison of Budget and Actual Amounts. The Authority ensured prudent financial management of the scheme and financial reporting in line with the Public Finance Management Act, 2012 and the International Public Sector Accounting Standards (IPSAS) resulting in an efficient and effective administration of the scheme.

As at 30<sup>th</sup> June 2023, the Authority had disbursed a total of Ksh. 449, 586,616 to the scheme with the asset base of the scheme growing to Kshs. 459,688,629. Surplus for the year ended 30<sup>th</sup> June 2023 was Kshs. 513,714. The scheme is operated on a revolving fund basis with principal loan repayment and any surplus generated from operations ploughed back to grow the scheme. Management is hopeful that the scheme will be self-sustaining in the near future.

The Authority continues to look into innovative ways of ensuring uptake of this product by all employees who are eligible. The scheme commenced in the financial year 2014/2015 and has witnessed encouraging growth in the uptake of its products. As at 30<sup>th</sup> June 2023, there Scheme had served a total of 81 employees who were at various levels of either making applications or already having acquired and servicing loans for various products or having fully repaid the loans. 43 employees had made applications for the mortgage facility while 28 employees had made applications for the car loan facility.

*Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*

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The Authority continues to support the scheme and wish to encourage all eligible employees especially those in the lower cadre to take advantage of the low interest rates offered by the Energy and Petroleum Regulatory Authority Mortgage and Car Loan Scheme.



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Mr. Daniel Kiptoo Bargoria

**Director General**

## 7. Statement of performance against predetermined objectives

The Scheme does not operate as a standalone but is under the management of the Authority and oversighted by the Authority's Board of Directors. Its activities are anchored on the overall Authority's strategic objectives. The Scheme helps the Authority to achieve the strategic objective focused on employee welfare which contributes towards building institutional capacity.

The Authority has (4) strategic pillars and objectives within its Strategic Plan for the FY 2020/2021 - 2022/2023. These strategic pillars are as follows:

Pillar 1	Sustainable Development
Pillar 2	Innovation and Data Management
Pillar 3	Consumer Protection
Pillar 4	Institutional Capabilities

The Authority develops its annual work plans based on the above 4 pillars.

Assessment of the Authority's performance against its annual work plan is done on a quarterly basis. EPRA achieved its performance targets set for the FY 2022/2023 period for its 4 strategic pillars, as indicated below:

<u>Strategic Pillar</u>	<u>Objective</u>	<u>Key Performance Indicators</u>	<u>Activities</u>	<u>Achievements</u>
<b>Pillar 1- Sustainable Development</b>	To promote energy sector growth and development	a) Regulatory Impact Assessment study reports b) Stakeholder/public participation in development/ review of regulations, standards and codes c) Energy efficiency and conservation measures d) Number of	a) Develop regulations b) Undertake energy efficiency capacity building c) Process applications for Petroleum Business Licenses, Energy Auditors, Solar PV technicians, Energy Audit Firms, Solar PV contractors, electrical worker, electrical contractors and Power Purchase Agreements	a) Gazetted 2 regulations b) Undertook public participation for 2 draft regulations c) Undertook RIA studies for 3 draft regulations c) Conducted 5 capacity building fora on energy efficiency d) Processed 7,422 petroleum and LPG business license applications within an average of 9.94 days e) Licensed 469 electrical workers and 446 electrical contractors within an

*Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*

<b>Strategic Pillar</b>	<b>Objective</b>	<b>Key Performance Indicators</b>	<b>Activities</b>	<b>Achievements</b>
		licenses/permits issued e) Turn-around time for processing licenses/permits		average of 47 days and 15 days respectively f) Received and approved 6 PPAs within an average of 48 days
<b>Pillar 2- Innovation and Data Management</b>	To strengthen energy and petroleum sector research, data management and information dissemination	a) Research week b) Energy statistic reports c) No. of innovation events d) Staff sensitization	a) Undertake research and innovation week b) Undertake regulatory research on topical issues c) Analyze and report on electricity, energy efficiency renewable energy and petroleum statistics d) Monitor the progress of electricity transmission and generation projects e) Implement the knowledge management policy	a) Research and Innovation workshop undertaken on 27 <sup>th</sup> June 2023 b) Published the Energy and Petroleum Statistics Report 2022 for the financial year ended 30 <sup>th</sup> June 2022 and the Biannual Energy and Petroleum Statistics Report 2022 for the period ended 31 <sup>st</sup> December 2022 c) Undertook demand forecasting of petroleum products consumption and estimation of electricity demand and supply for the period 2023-2027 and prepared a medium-term plan. d) Finalized the Ancillary Services study report for the Kenyan power sector. e) Monitored 5 electricity transmission projects and 5 electricity generation projects f) Reviewed the Knowledge Management Policy and Knowledge Mapping Report.
<b>Pillar 3-Consumer Protection</b>	To enhance regulatory awareness, compliance and safety (Consumer Protection)	a) Number of stakeholder sensitization forums on energy related issues b) No. of public safety campaigns conducted c) Report on outcome of inspections	a) Organize public awareness/ sensitization forums b) Design and implement public safety campaigns. c) Undertake inspections of petroleum, LPG, Renewable Energy and Electricity facilities, to enforce compliance with	a) Conducted 34 stakeholder engagement workshops b) Conducted 1 public awareness forum on LPG safety in Nakuru County, and a joint emergency highway safety drill for petroleum products road transportation

Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
		<p>undertaken (compliant vs non-compliant) d) number of operational partnerships and collaborations</p>	<p>Energy Act 2019 and Petroleum Act 2019 d) Implement strategic partnership &amp; collaboration</p>	<p>along Thika Road. c) Ensured sufficient workspace, tools and equipment by concluding the partitioning and furnishing of Nakuru, Isiolo, Lodwar and HQ offices. d) Conducted stakeholder awareness and education campaigns on the Authority's social media platforms i.e. Electrical, Petroleum and LPG Safety Campaign dubbed "Kaa Safe Mtaani" e) Undertook 2,705 surveillance inspections f) Conducted 21,990 tests at 4,445 petroleum sites. From the tests, 98.76% of the sites were found to be compliant. However, tests from 55 sites turned out to be non-compliant. g) Established MOU with KIPPRA to promote research</p>
<b>Pillar 4-Institutional Capability</b>	To enhance our institutional capabilities (Institutional Capabilities)	<p>a) Number of interns engaged b) Board Evaluation Report c) Compliance with the Quality Management System d) Number of processes audited e) Amount allocated to special groups, i.e., youth, women and PWDs f) Amount allocated to procurement budget for locally sourced goods and services</p>	<p>a) Offer internship opportunities b) Undertake Board Evaluation c) Maintain the Quality Management System d) Provide risk assurance by performing risk-based audits of the processes e) Uptake of 30% value of tender awarded f) Reserve a minimum of 40% of the procurement</p>	<p>a) Engaged a total of 43 interns and 29 attaches. b) Recertified against the ISO 9001:2015 Standard on 11th October 2022. c) 11 operational/ systems internal audits and 9 follow-up audits conducted. g) Reviewed the Authority's Enterprise Risk Management framework h) Utilized Kshs. 1,647,769,783 against an annual target of</p>

*Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*

<u>Strategic Pillar</u>	<u>Objective</u>	<u>Key Performance Indicators</u>	<u>Activities</u>	<u>Achievements</u>
		g) Assets disposed f) Operational disaster recovery plan	budget for locally sourced goods and services	Kshs. 2,158,791,543 translating to an overall achievement of 76.33% i) Kshs. 1,519,070,788 against an annual target of Kshs. 2,061,806,884.00 translating to an overall achievement of 73.68% j) Awarded contracts worth Kshs. 98,329,333.90 to Youth, Women and PWDs categories of suppliers. k) Awarded contracts worth Kshs. 494,195,685.27 for supply of locally produced and services

## **8. Corporate Governance Statement**

### **1. Introduction**

The Board of Directors acknowledge the need to conduct the business and operations of the Authority with integrity and in accordance with generally accepted corporate practice and internationally developed principles of corporate governance. The Board recognize corporate governance as an essential element towards achieving the Authority's regulatory mandate provided in both the Energy Act, 2019 and Petroleum Act, 2019. The Board members adhere to good corporate governance by embracing the following principles:

- Observation of high standards of ethical and moral behaviour;
- Act in the best interests of the Authority;
- Ensure fair staff remuneration and promotion
- Promotion of legitimate interests of all stakeholders;
- Ensure that the organization acts as a good corporate citizen.

The Board members will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in the Authority's operations.

### **2. Board members**

#### **2.1 Board Composition, Appointment and Size**

The Board of Directors of the Authority as provided under section 12 of the Energy Act, 2019 consist of the Chairman, the Principal Secretary in the Ministry of Energy or his representative, the Principal Secretary in the Ministry of Petroleum and Mining or his representative, the Principal Secretary in the National Treasury or his representative, one County Executive Committee member or his representative nominated by the Council of County Governors, the Director General and five other members who represent the private sector. The Chairman and the five other independent members are appointed by the President and the Cabinet Secretary

respectively. The Chairman (Hon. Justice (Prof) Jackton B. Ojwang) is Non-Executive. The Chairman's term is four years and that of the other Board members is three years and the respective terms are renewable once for the same duration. The Director General is the Chief Executive of the Authority appointed by the Cabinet Secretary through competitive selection for a term of three-year renewable once. The Director General is an ex officio member of the Board with no voting rights at the Board meetings.

The Board is well composed in terms of diversity in skills, knowledge of business and administrative experience acquired from both private and public sectors that is essential in the effective management of the Authority's operations.

The appointment of the Board members can be terminated in accordance with the provisions of Second schedule of the Energy Act, 2019 or through voluntary resignation.

## **2.2. Independence and Separation of Roles and Responsibilities**

The Board members exercise independent judgment in discharging their duties. The Board sets the strategic plan of the organization, oversees implementation of policies, evaluates the performance and reports to the stakeholders.

The Chairman of the Board is primarily responsible for the activities of the Board and its Committees. The Chairman in consultation with the Director General sets the agenda for Board meetings, chairs the meetings and ensure effective communication to stakeholders. The Chairman acts as the spokesperson for the Authority and is the principal contact for the Director General. The Director-General who is the Chief Executive of the Authority, is responsible for the day-to-day management of the Authority subject to the Board's direction.

## **2.3. Board Responsibilities**

The Board's responsibility is to promote the long-term success of the organization. The Board provides leadership, strategic direction and exercises effective control of the

Authority. The Board members assume collective responsibilities though their duties are discharged through the Board or its Committees

#### **2.4. Board and Committee Meetings**

The Energy Act 2019 provides that Board meetings will be held at least four times a year, and not more than four months shall lapse between the date of one meeting and the next meeting. A schedule of dates of the meetings is agreed upon by Board members and set out in the Board Work Plan. Notices of the location and the timing of meetings are issued seven days prior to the meetings. The Work Plan is adjusted when deemed necessary by the Board.

The Committees conduct their business within the rules and procedures set by the Board. The matters deliberated by the Committees are consequently presented to the Board by the respective Chairman during the next Board meeting for adoption.

The Committees are designed to ensure the Board runs efficiently and effectively and in a manner that embraces corporate governance. The Committees enable the Board to effectively discharge its responsibility by delving into issues that require greater attention than would be possible during regular Board meetings. The Board has three Committees; Technical, Finance and Administration and Audit and Risk.

#### **2.5. Finance and Administration Committee**

The Finance and Administration Committee is responsible for ensuring overall sound financial reporting, establishing internal system of controls, business plans and budgets, procurement, ICT, public relations, administration and staff affairs. As at the end of the financial year, members were Mr. Daniel Ndonye (Chair), Mr. Albert Mwenda, Mr. George Mwakule, Eng. Mercy Wambugu and Director General.

## **2.6. Technical Committee**

The Technical Committee's responsibilities are to provide technical and strategic direction to the Authority and approve technical plans, activities, reports and budgets. As at the end of the financial year, the Committee members were Eng. Mercy Wambugu (Chair), Mr. Barnabas Ngeno, Mr. Moses Mutuli, Mr. Daniel Ndonye, Mr. Masini Ichwara, and DirectorGeneral.

## **2.7. Audit and Risk Committee**

The responsibilities of the Audit and Risk Committee are to; review the financial information of the Authority, monitor the effectiveness of management information and internal control systems, deliberate on significant findings arising from both internal and external audits, and reviewing the overall risks facing the Authority. As at the end of the year the Committee members were Mr. Moses Mutuli (Chair), Mr. Barnabas Ngeno, Ms. Caroline Gathii and Mr. Albert Mwenda.

## **2.8. Board Charter and Work Plan**

The Authority has formulated a Charter, which defines the role and responsibilities of the board in executing their strategic oversight function of the organization. The board members prepare an annual Work Plan. The Plan sets out the specific activities to be undertaken by the Board members towards fulfilling their mandate.

## **2.9. Directors Induction and Skills Development**

The Authority provides new directors with an effective induction programme in order to familiarize them with their responsibilities as Board members and with general principles of corporate governance. The programme also provides the members with an orientation of the organization, strategic plan, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics. The Authority ensures that a competence needs assessment is carried out periodically and an Annual Development Plan prepared to address identified gaps. The Authority ensures that its members are up-to-date with continuous professional development in

their respective professional bodies.

#### **2.10. Board Effectiveness and Evaluation**

The Board, its composition and performance evaluation is central to corporate governance. Further, Article 1.12 of Mwongozo requires Boards to undertake performance evaluation. It is in this regard that the Authority under the guidance of a representative of the State Corporation Advisory Committee (SCAC) conducts Board performance evaluation.

The Authority conducts an annual evaluation to appraise its performance. This evaluation is carried out in accordance with the Evaluation Tool. The Board evaluation provides an opportunity for Board members to identify strengths, collective skill gaps and individual areas of improvement. The Authority also reviews the performance of each committee against the set Terms of Reference.

The Evaluation is undertaken at three levels:

- Peer Review
- Self-evaluation
- Board evaluation

The results are analyzed and a mean score rate for each of the levels determined. Through this exercise, the Board identifies areas of strength and weaknesses and the Board is committed to addressing areas of challenges that are identified.

#### **2.11. Ethical Leadership and Corporate Citizenship**

The Board members are required to act in the best interest of Authority and uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and favouring the interests of Authority over other interests. The Directors on appointment are sensitized on the requirements of the Mwongozo Code of Governance and have expressly committed to adhere to it.

Both the Board members and employees of the Authority are expected to act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency. The Authority has developed a Code of Conduct and Ethics to guide the Directors and the employees when undertaking their duties. All the Board members and employees sign a declaration of interest form indicating they will disclose any interest that may conflict with the interest of the organization. The Board members declare their interest at every Board or Committee meeting. The Board members and employees declare their wealth status as per the Public Service Commission requirements. The organization maintains a Register of Gifts as per the requirements of the Public Officer Ethics Act, 2003 and this register is continuously updated.

#### **2.12. Succession Plan**

Succession planning is an ongoing process of systematically identifying, assessing and developing talent and capacity to ensure continuity in specific positions within the organization. The Plan is designed to identify and prepare candidates for positions that become vacant due to retirement, resignation or death. The Energy Act requires that the Board members are appointed at different times so that the respective expiry dates of their terms of office falls at different times.

#### **2.13. Remuneration of the Board of Directors**

The remuneration of the Chairman and the other Board members is determined by SCAC as provided in the State Corporations Act. The members are paid taxable sitting allowance. The Chairperson is paid a monthly fee and honoraria and the other members are paid monthly fee. The Board members are entitled to daily subsistence allowances while attending official duties. The members are reimbursed their transport expenses at the prevailing AA rates. The Board members are also provided with outpatient, inpatient medical and personal accident cover.

#### **2.14. Compliance with existing laws and regulations**

The Authority conducts its business affairs in compliance with all applicable laws, regulations, policies and accepted national and international standards. The Authority is in compliance with the Constitution, the Energy Act 2019, the Petroleum Act 2019, Leadership and Integrity Act, 2012, the Public Officers Ethics Act, 2003, the Public Procurement and Assets Disposals Act, 2015, the Public Finance Management Act, 2012, the Employment Act among other legislation. The Board complies with the requirements of the Mwongozo Code of Governance and has developed a Board Charter that is based on the Mwongozo principles of good governance.

##### **i Court Cases.**

The following are significant cases in which the Authority is a party during the reporting period:

- **Council of County Governors vs ERC and 7 Others HC Pet. 279 of 2017.**

This matter was instituted by the Petitioners challenging the constitutionality of the functions and mandate of ERC (the predecessor of EPRA) as was provided for by the Energy Act, 2006. The Petitioners sought to have some of the mandate vested on the Authority transferred to Counties. The other parties in the matter include; Rural Electrification Authority, National Transport and Safety Authority, Kenya Urban Roads Authority, Kenya Rural Roads Authority, Kenya Ferry Services and Kenya Roads Board. The Council of County Governors alleges that the statutory laws establishing these government entities are unconstitutional. The matter is awaiting hearing in Court.

##### **ii Governance Audit.**

The Mwongozo Code requires all State Corporations to comply with governance parameters as set out in the Constitution, applicable laws and best practices. It sets out the modalities of compliance on governance matters within State Corporations. State Corporations are required to conduct a governance audit annually with the objective of establishing their level of compliance with relevant regulatory requirements and sound governance practices.

This makes it necessary for the Authority to carry out periodic governance audits to ensure that their structures, policies, systems and practices are in conformity with the Constitution and relevant regulatory requirements as well as the highest standards of good governance and to identify areas for improvement.

In 2019-2020 FY, the Authority engaged a consultant, M/s Munyao, Muthama and Kashindi Advocates to undertake a Governance Audit. The implementation of the recommendations following the Governance Audit was undertaken during the financial year 2021-2022 and a review of the same was undertaken during the 2022-2023 FY.

The audit exercise enables the Authority to identify gaps in its governance structure, propose ways of addressing the same, minimize governance risks and ensure the Authority conducts and operates in accordance with good corporate governance principles which include integrity, accountability and transparency. In addition, the audit ascertained the Authority's compliance and enforcement levels.

### **iii Legal Audit.**

The Mwongozo Code of Governance for State Corporations (Mwongozo Code) requires all State Corporations to conduct a legal compliance audit at least once every two (2) years to check on their level of legal compliance with the Constitution of Kenya 2010, applicable laws & regulations, policies, guidelines and government circulars.

Within the financial year 2020-2021, the Authority engaged a consultant, M/s Munyao, Muthama and Kashindi (MMK) Advocates in association with KPMG to conduct a legal compliance audit as required by the Mwongozo Code. The legal compliance audit covered the 2018/2019 and 2019/2020 financial years. The undertaking of the legal compliance audit was completed within the financial year 2021-2022. The implementation of the recommendations of the Legal Audit was undertaken during the financial year 2022-2023.

*Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*

Board of Directors	Designation	Board Meeting Total No. of Meetings (8)	Finance & Administration Committee - Total No. of Meetings (6)	Technical Committee - Total No. of Meetings (6)	Audit & Risk Committee - Total No. of Meetings (4)	Pension Board Meetings (3)
Hon. Justice Jackton Ojwang	Chairman	8/8	-	-	-	-
Eng. Mercy Wambugu	Member	8/8	5/6	6/6	-	-
Mr. Daniel Ndonye	Member	8/8	6/6	6/6	-	-
Mr. Moses Mutuli	Member	8/8	-	6/6	4/4	
Mr. George Mwakule	Member	8/8	6/6	-	-	3/3
Ms. Caroline Gathii	Member	7/8	-	5/6	2/4	-
Mr. Barnabas Ngeno	Member	8/8	-	6/6	4/4	-
Mr. Albert Mwenda	Member	3/8	4/6	-	2/4	-
Mr. Masini Ichwara	Member	7/8	-	6/6	-	3/3
Mr. Daniel Kiptoo Bargoria	Director General	7/8	6/6	4/6	-	-

## **9. Management Discussion and Analysis**

The Energy and Petroleum Regulatory Authority (EPRA) is committed to continue supporting the National Government Agenda of providing cheap and affordable housing for its citizens. The Authority has continued to provide resources and support to the mortgage and car loan scheme. The Authority has allocated sufficient resources to the scheme to ensure it is continuously funded with the aim of making it self-sustaining in the long run by ploughing back all funds received into the scheme in a revolving fund model.

The Authority has the responsibility of setting up a revolving fund for the disbursement of loans with the Board of Directors of the Authority providing oversight on the management of the scheme. The Authority's Management has appointed a Staff Mortgage and Car loan Scheme Advisory Committee (SMCAC) charged with the overall supervision of the scheme. KCB Bank is responsible for the day-to-day operations of the scheme. A scheme administration fees is charged by the Bank for offering this service.

The scheme is cash backed and includes a fund for purchase of motor vehicle for EPRA employees who desire. The scheme is administered by KCB bank through a cash backed arrangement. The Human Resource Department is charged with the responsibility of vetting and recommending mortgage and car loan applications before submitting the same to the Bank for processing in accordance with laid down approved regulations and the agreement entered between the Authority and the Bank.

The scheme is in its ninth year of operation having witnessed a steady growth in uptake from the Authority's employees from the initial three (3) employees at inception in 2014/2015 to the current eighty (81) employees who were at various stages in the scheme as at the end of the financial year 2022/2023. Fifty three (53) and twenty eight (28) of these employees are in the mortgage and car loan schemes respectively. Additionally, included in the cited numbers, is successful issuance of 46 mortgages; two (2) of which have been successfully paid back in full. Furthermore, as at the end of the financial year, four (4) mortgage applications were pending disbursement while three (3) mortgage application were at the appraisal stage. On the other

hand, the car loan product had witnessed successful issuance of twenty seven (27) car loans with ten (10) employees having successfully repaid their loans. As at the end of the financial year, one (1) car loan application had been approved pending disbursement. To date the scheme has not reported any form of debt distress or default in servicing of the mortgages or car loans advanced to employees.

The scheme provides mortgage and car loan facilities at an interest rate of 3%. As at 30<sup>th</sup> June 2023 the Authority had disbursed a total of Ksh.449,586,616 (Ksh.423,086,616 for mortgage and Kshs.26,500,000 for car loan respectively) to the scheme with Ksh.416,425,279 (Kshs. 401,894,341 for mortgage and Kshs.14,530,938 for car loan respectively) outstanding on loans advanced. The scheme held a revenue reserve of Kshs. 10,102,013 as at the end of the financial year with a total asset base of Kshs.459,688,629. Surplus of Ksh.513,714 was realized for the period ending 30<sup>th</sup> June 2023. Surplus generated from the fund is ploughed back to the scheme to grow the fund.

The Authority will endeavour to provide more funding to ensure all employees interested in purchasing residential houses or personal motor vehicles are facilitated. It is expected that the fund will be self-sustaining in the near future. The Authority reiterates its commitment to support the scheme and encourages employees to take advantage of these facilities to improve their standard of living.

## **10. Environmental and Sustainability Reporting**

### **i) Sustainability strategy and profile**

EPRA exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant services, and improving operational excellence.

### **ii) Environmental performance**

The Authority in execution of its mandate directly and indirectly contributes to environmental conservation. To complement the regulatory activities that impact on environmental sustainability, the Authority promotes environmental stewardship through its Corporate Social Responsibility Pillar on Responsibility to Environment. This is largely informed by the Presidential Directive made in February 2018 towards State Departments and Corporations to dedicate of 10% of the CSR budget towards tree planting activities. In the year under review, the Authority planted 6,000 trees in Menengai forest, Nakuru County as a replacement activity to the previously planted seedlings to improve their survival rate. The exercise was conducted in collaboration with the Kenya Forest Service and the Menengai Forest Service. The former allocated the land and the latter provided support for the pitting and maintenance of the seedlings. During project implementation, all procurement related to manpower, food & beverage, seedlings and other logistics was done within the surrounding communities to ensure they directly benefit from the project. The Authority has since handed over the project to KFS with the allocated blocks amounting to 30,000 trees. The Authority has scheduled an Environmental and Socio-Economic Impact analysis report to be conducted in the 2022-2023 Financial Year.

### **iii) Employee welfare**

EPRA recruitment is guided by the Human Resource Policy and Procedures Manual. In addition, the Authority has welfare policies (Workplace Guidelines) that are established not only to comply with the legal requirements, but also to ensure from on-boarding to exit, employees' welfare are taken care of in a conducive working environment. Conducive work environment entails everything from services, facilities and benefits that are provided by an employer for the

advantage or comfort of an employee. The policies include Sexual Harassment, Bribery and Corruption, Disability mainstreaming, HIV and Aids, Gender Mainstreaming, Sexual harassment, Drug and Alcohol Abuse.

EPRA is compliant with OSHA (2007), and audits are carried out annually, recommendations shared with management and implemented to improve the welfare of the employees. The recommendations are considered within quality management system for continuous improvement. The Authority carries out skills gap analysis, training needs analysis and also performance appraisal to identify competency gaps. EPRA has an elaborate training and development policy, which focuses on wholesome development, through mentorship, coaching, on the job training and networking opportunities, workshops and conferences among other methods of training and development. In addition, the Authority has put in place a Talent Management Policy and is working towards implementation of Rewards and Sanctions policy. All these measures ensure a healthy balance between an individual's aspirations, career growth and the needs of the Authority. The Authority strives to maintain employee engagement index of over 75%, which is determined through periodic employee engagement surveys.

**iv) Market place practices-**

**a) Responsible competition practice.**

The Authority as the energy sector regulator ensure there is fair industry practices and promotes fair competition between all energy sector players through enforcement of regulations, surveillance, consumer education and awareness.

**b) Responsible Supply chain and supplier relations**

The Authority maintains good business practices by working closely with its key suppliers after a contract has been signed by embracing supplier relationship management by observing the highest ethical standards as laid out in the supply chain management policy document. This is done by ensuring continuous capacity building of suppliers and communication with the suppliers by holding supplier sensitization workshops with the aim of improving their bidding experience and ensuring dedicated services thus enhancing value for money for the organization.

EPRA engages suppliers through valid contracts and purchase orders which have clear obligations to be met by all the parties from time to time. Compliance to the relevant laws and guidelines in the procurement process is wholly observed. Notably, the Authority conducts bi-annual supplier appraisal in order to monitor and measure the supplier's performance for businesses to reduce the cost associated with the activities, analyse risk management and maintain scope for constant improvement in selecting the suppliers.

The supply chain management function also engages the internal customers by ensuring that they are actively involved in the procurement process by soliciting feedback and information regarding their objectives and business needs to ensure continuous availability of supplies and increased responsiveness to customers' changing needs.

**c) Responsible marketing and advertisement**

The Authority has been at the forefront of promoting responsible marketing to ensure business continuity. The marketing and advertising priorities were centered on having socially conscious consumers, align stakeholders to the Authority's strategic objective number two (2) on consumer awareness, and ensure business continuity. The Authority deploys a mix of communication channels including, radio, television, newspaper and social media in a bid to ensure that it reaches every stakeholder in their various preferred choice of media. Two consumer awareness campaigns on Petroleum & LPG Safety, and Electrical Safety have been earmarked for the 2022-2023 Financial Year.

**v) Corporate Social Responsibility / Community Engagements**

**Enhancing Community Wellbeing through Corporate Social Responsibility**

The Authority is committed to making a positive impact on the community through its Corporate Social Responsibility (CSR) efforts. These efforts are guided by the CSR pillars outlined in the communications policy, which encompass Corporate Governance and Ethical Business Practices, Environmental Rehabilitation, Responsibility to Communities, Promoting Energy Efficiency, Responsibility for Staff and Consumers, and Support for Educational Courses. Here are some highlights of the CSR initiatives undertaken during the year:

- **Responsibility to Communities**

In support of the "Adopt a Bed Campaign" at the Kenyatta National Hospital, the Authority donated beds and mattresses to enhance patient comfort. This initiative aimed to mobilize resources to replace old beds with new ones, ultimately improving the hospital's facilities and services.

- **Environmental Rehabilitation**

Recognizing the vital role of trees in maintaining a healthy ecosystem, the Authority has consistently supported tree planting activities across the country. In collaboration with the Ministry of Environment and the Ministry of Energy, the Authority participated in planting 15,000 trees during the year. These efforts align with Kenya's ambitious goal to plant 15 billion trees by 2032, with the aim of achieving 30% tree cover.

- **Support for Educational Courses**

The Authority extended its support to St. Emmaculate Mayekwe Girls in Bungoma County by equipping their boarding facility with beds, mattresses, and bedside lockers. Furthermore, the school received solar panels to promote sustainable energy usage among students, encouraging environmental consciousness from an early age.

Additionally, in line with the government's objective to enhance digital learning in schools, the Authority donated computers to St. Teresa Vocational Training Center in Kakamega County. This contribution is envisioned to equip students with the necessary skills to embrace opportunities in the digital era.

- **Promoting Energy Efficiency**

Understanding the significance of energy efficiency in reducing carbon footprints and helping consumers lower utility bills, the Authority took steps to promote energy efficiency in manufacturing industries. It achieved this by training energy auditors responsible for conducting energy audits and recommending efficiency measures to clients.

- **Responsibility to consumers**

In November 2022, the Authority launched a consumer education campaign dubbed "Kaa Safe Mtaani". The campaign aimed at creating awareness on the safe handling of electricity and petroleum products. A post-campaign monitoring survey showed that there was positive behaviour change, with 87% of respondents who interacted with the campaign indicating that it motivated them to embrace safety precautions in their homes.

By adhering to its CSR pillars, the Authority strives to make a positive and lasting impact on society.

## **11. Report of the Board**

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

### **Principal activities**

The principal activity of the scheme is to provide low interest mortgage and car loan facilities to the employees of the Energy & Petroleum Regulatory Authority.

### **Performance**

The performance of the Scheme for the year ended June 30, 2023, is set out on page 1

### **Board**

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

### **Auditors**

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

By Order of the Board



.....  
**Chair of the Board**

## **12. Statement of Management's Responsibilities**

Section 84 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a Fund shall prepare financial statements for the Scheme in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Scheme is responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund, (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 fund; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the Scheme accepts responsibility for the Scheme'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. The Administrator of the Scheme is of the opinion that the Scheme's financial statements give a true and fair view of the state of Scheme's transactions during the financial year ended June 30, 2023, and of the Scheme's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control. In preparing the financial statements, the Administrator of the Scheme has assessed the Scheme's ability to continue as a going concern.

Nothing has come to the attention of the Administrator to indicate that the Scheme 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 Fund's financial statements were approved by the Board on 28<sup>th</sup> Sept. 2023 and signed on its behalf by:



.....  
Name: Hon. Prof. Jackton Boma Ojwang

**Chairman of the Board**

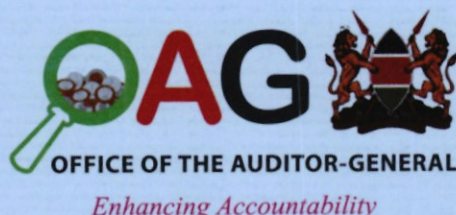


.....  
Name: Daniel Kiptoo Bargarora

**Director General**

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## **REPORT OF THE AUDITOR-GENERAL ON ENERGY AND PETROLEUM REGULATORY AUTHORITY STAFF MORTGAGE AND CAR LOAN SCHEME FOR THE YEAR ENDED 30 JUNE, 2023**

### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme set out on pages 1 to 27,

*Report of the Auditor-General on Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme for the year ended 30 June, 2023*

which comprise of the statement of financial position as at 30 June 2023, 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 Energy And Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

### **Basis for Conclusion**

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme Management in accordance with ISSAI 130 on the 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.

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

### **Conclusion**

As required by Article 229(6) of the Constitution and 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 resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Irregular Charge of Interest**

As previously reported, review of the car loan contract and amortization schedules revealed that the interest charge for the Car Loan Scheme was set at 4%. This is contrary to the Salaries and Remuneration Commission guidelines vide Circular 13/Vol III dated December, 2014 which set the interest charge applicable to both car loan and mortgage scheme at 3% per annum on a reducing balance for the duration of the loan.

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

## **2. Policy Documents**

Salaries and Remuneration Commission (SRC) Circular of 17 December, 2014 introduced Car Loans and Mortgage Scheme for State Officers and Other Public Officers. For purposes of implementation and administration of the Scheme, SRC directed that independent body should prepare appropriate Regulations to guide the implementation of the benefits to their employees. However, review of the staff mortgage and car loan scheme Policy document indicated that the Scheme was established during the year 2014/2015 but the policy documents are still at draft form eight (8) years after implementation awaiting deliberations and approval by the Board of Directors.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

#### **Basis for Conclusion**

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

#### **Responsibilities of Management and those Charged with Governance**

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 the internal controls, risk management and overall governance.

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which 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 on 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls 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 which would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which 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 Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme'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 Scheme to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Scheme to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

07 December, 2023


*Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*

**14. Statement of Financial Performance for the year ended 30th June 2023.**


Description	Note	Period ended 30th	Period ended 30th
		June 2023	June 2022
		Kshs.	Kshs.
<b>Revenue from exchange transactions</b>			
Interest income	6	11,439,740	10,546,783
<b>Total revenue</b>		<b>11,439,740</b>	<b>10,546,783</b>
<b>Expenses</b>			
Use of goods and services	7	10,926,026	10,291,322
<b>Total expenses</b>		<b>10,926,026</b>	<b>10,291,322</b>
<b>Surplus/(deficit) before tax</b>		<b>513,714</b>	<b>255,461</b>
<b>Taxation</b>		<b>-</b>	<b>-</b>
<b>Surplus/Deficit after Tax</b>		<b>513,714</b>	<b>255,461</b>

*(The notes set out on pages 6 to 26 form an integral part of these Financial Statements).*


The financial statements were approved on 28<sup>th</sup> Sept 2023 by:

  
.....  
Name: Daniel Kiptoo  
Bargarua

Director General

  
.....  
Name: Muznah Sisiwa

Head of Finance & Accounts  
ICPAK M/No... 2186

  
.....  
Name: Hon. Prof. Jackton  
Boma Ojwang

Chairperson of the Board


Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme  
Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023

15. Statement of Financial Position as at 30th June 2023


Description	Note	Period ended 30 <sup>th</sup>	Audited
		June 2023	2021/2022
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	43,263,350	20,123,816
Receivables from exchange transactions	9	28,632,717	29,924,768
<b>Total Current Assets</b>		<b>71,896,067</b>	<b>50,048,584</b>
<b>Non-current assets</b>			
Receivables from exchange transactions	9	387,792,562	369,126,331
<b>Total Non- Current Assets</b>		<b>387,792,562</b>	<b>369,126,331</b>
<b>Total assets</b>		<b>459,688,629</b>	<b>419,174,915</b>
<b>Liabilities</b>			
Trade and other payables	10	-	-
<b>Total Current Liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>-</b>	<b>-</b>
<b>Net assets</b>		<b>459,688,629</b>	<b>419,174,915</b>
Car loan revolving fund		26,500,000	21,500,000
Mortgage revolving fund		423,086,616	388,086,616
Accumulated surplus ( <i>Reserves</i> )		10,102,013	9,588,299
<b>Total net assets and liabilities</b>		<b>459,688,629</b>	<b>419,174,915</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.


The Fund financial statements were approved on 28<sup>th</sup> Sept. 2023 and signed by:

  
.....  
Name: Daniel Kiptoo  
Bargarora

Director General

  
.....  
Name: Muznah Sisiwa

Head of Finance & Accounts  
ICPAK M/No...2186

  
.....  
Name: Hon. Prof. Jackton  
Boma Ojwang

Chairperson of the Board

16. Statement of Changes in Net Assets for the year ended 30th June 2023

	Mortgage Fund	Car Loan Fund	Accumulated surplus	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>As at 1 July 2021</b>	340,086,616	19,500,000	9,332,838	368,919,454
Surplus/(deficit) for the period	-	-	255,461	255,461
Funds received during the year	48,000,000	2,000,000	-	50,000,000
<b>As at 30 June 2022</b>	388,086,616	21,500,000	9,588,299	419,174,915
<b>Balance as at 1 July 2022</b>	388,086,616	21,500,000	9,588,299	419,174,915
Surplus/(deficit) for the period	-	-	513,714	513,714
Funds received during the year	35,000,000	5,000,000	-	40,000,000
<b>As at 30 June 2023</b>	423,086,616	26,500,000	10,102,013	459,688,629

*Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*

**17. Statement of Cash Flows for the year ended 30<sup>th</sup> June 2023**

Description	Note	Period ended 30 <sup>th</sup> June 2023	Period ended 30 <sup>th</sup> June 2022
		<b>Kshs.</b>	<b>Kshs.</b>
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Interest from mortgage and car loan		10,924,961	10,290,257
Interest from bank balances (unutilized)		514,779	256,526
<b>Total receipts</b>		<b>11,439,740</b>	<b>10,546,783</b>
<b>Payments</b>			
Uses of goods		(10,926,026)	(10,291,322)
<b>Total payments</b>		<b>(10,926,026)</b>	<b>(10,291,322)</b>
<b>Net cash flow from operating activities</b>	11	<b>513,714</b>	<b>255,461</b>
<b>Cash flows from investing activities</b>			
Proceeds from loan principal repayments		19,159,820	65,626,793
Loan disbursements paid out		(36,534,000)	(106,514,222)
<b>Net cash flows used in investing activities</b>		<b>(17,374,180)</b>	<b>(40,887,429)</b>
<b>Cash flows from financing activities</b>			
Receipts for mortgage revolving fund		35,000,000	48,000,000
Receipts for car loan revolving fund		5,000,000	2,000,000
<b>Net cash flows used in financing activities</b>		<b>40,000,000</b>	<b>50,000,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>23,139,534</b>	<b>9,368,032</b>
Cash and cash equivalents at 1 July 2022		20,123,816	10,755,784
<b>Cash and cash equivalents 30<sup>th</sup> June 2023</b>	8	<b>43,263,350</b>	<b>20,123,816</b>

18. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
	A	b	C=(a+b)	d	e=(c-d)	F=d/c
<b>Revenue</b>						
Interest on Mortgage and Car Loan	11,500,000	-	11,500,000	10,924,961	575,039	95.0%
Interest from bank balances (unutilized)	300,000	-	300,000	514,779	(214,779)	171.6%
<b>Total Revenue</b>	<b>11,800,000</b>	<b>-</b>	<b>11,800,000</b>	<b>11,439,740</b>	<b>360,260</b>	<b>96.7%</b>
<b>Expenses</b>						
Use of goods and services	(11,501,065)	-	(11,501,065)	(10,926,026)	575,039	95.0%
<b>Expenditure</b>	<b>(11,501,065)</b>	<b>-</b>	<b>(11,501,065)</b>	<b>(10,926,026)</b>	<b>575,039</b>	<b>95.0%</b>
<b>Surplus for the period</b>	<b>298,935</b>	<b>-</b>	<b>298,935</b>	<b>513,714</b>		
<b>Capital Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-%</b>

(Budget notes

- Interest on bank balances was 171.6% higher than budgeted due under absorption of available funds leading to a higher average bank balance during the year.

## **19. Notes to the Financial Statements**

### **1. General Information**

The Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme is established by the Energy and Petroleum Regulatory Authority (EPRA), a state corporation that derives its authority and accountability from the Energy Act 2019. The scheme is wholly owned by the Authority and is domiciled in Kenya. The scheme's principal activity is the provision of Mortgage and car loan facilities to the employees of the Authority.

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

### 3. Adoption Of New and Revised Standards

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

Standard	Effective date and impact:
<p><b>IPSAS 41:</b> Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</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.</p> <p>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>The standard has no impact to the Scheme</p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the</p>

*Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*

Standard	Effective date and impact:
	<p>information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p>The standard has no impact to the Scheme</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <p>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.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The standard has no impact to the Scheme</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p>

*Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p>The standard has no impact to the Scheme.</p>

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>The standard has no impact to the Scheme.</p>
IPSAS 44: Non- Current Assets Held for Sale and	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

*Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*

<b>Standard</b>	<b>Effective date and impact:</b>
Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.  The standard has no impact to the Scheme

*iii. Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year.

#### **4. 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 Scheme and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds. The scheme did not have transfers from other government entities other than capital injection from the Authority.

##### **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 for each period.

##### **b. Budget information**

The original budget for FY 2022/23 was approved on 30<sup>th</sup> June 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Scheme upon receiving the respective approvals in order to conclude the final budget. The Scheme did not record any additional appropriations. The Scheme's budget is prepared on a different basis from 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

**Significant Accounting Policies (Continued)**

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.

**c. Property, plant, and equipment (PPE)**

The Scheme does not have Property, Plant and Equipment (PPE).

**d. Intangible assets**

The Scheme does not have any intangible assets

**e. Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property is measured at fair value with gains and losses recognised through surplus or deficit. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition

## **Significant Accounting Policies (Continued)**

### **f. Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Scheme does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Scheme's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### **I. Financial assets**

#### **Classification of financial assets**

The Scheme classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Scheme's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Significant Accounting Policies (Continued)**

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the Scheme classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Significant Accounting Policies (Continued)**

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Scheme manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Significant Accounting Policies (Continued)**

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Impairment**

The Scheme assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Scheme recognizes a loss allowance for such losses at each reporting date.

**II. Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**g. Contingent liabilities**

The Scheme 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. The Scheme does not have any contingent liabilities.

**h. Contingent assets**

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

**Significant Accounting Policies (Continued)**

the financial statements of the period in which the change occurs. The Scheme did not have any contingent assets.

**i. Nature and purpose of reserves**

The Scheme creates and maintains reserves in terms of specific requirements. The scheme maintains a revolving fund with accumulated surplus ploughed back into the Scheme.

**j. Changes in accounting policies and estimates**

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

**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. The scheme does not have or trade in foreign currency.

**l. Related parties**

The Scheme regards a related party as a person or entity with the ability to exert control individually or jointly, or to exercise significant influence over the Scheme, or vice versa. Members of key management are regarded as related parties and comprise the Directors/Trustee, the Scheme Managers, and Scheme Accountant. The Scheme did not remunerate any of its related parties. Other than the scheme administrator KCB Bank who is paid scheme administration fee, no other official associated with the scheme is remunerated.

**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 various commercial banks 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. Events after the reporting period**

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

**p. Ultimate and Holding Fund**

The Scheme is established by the Energy and Petroleum Regulatory Authority. Its ultimate parent is the Authority.

**q. Currency**

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

**5. Significant judgments and sources of estimation uncertainty**

The preparation of the Scheme'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.

**Significant Accounting Policies (Continued)**

**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. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Scheme. Such changes are reflected in the assumptions when they occur. (*see IPSAS 1.140.*)

**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:

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

**Notes to the Financial Statements**

**6. Interest income**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Interest Income from Mortgage Loans	10,394,795	9,625,197
Interest Income from Car Loans	530,166	665,060
Interest Income on Bank Deposits	514,779	256,526
<b>Total Interest Income</b>	<b>11,439,740</b>	<b>10,546,783</b>

**7. Use of Goods and Services**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Scheme administration fees on mortgage	10,394,795	9,625,197
Scheme administration fees on car loan	530,166	665,060
Bank charges	1,065	1,065
<b>Total</b>	<b>10,926,026</b>	<b>10,291,322</b>

**8. Cash and cash equivalents**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Car Loan/ Mortgage Account	43,263,350	20,123,816
<b>Total Cash and Cash equivalents</b>	<b>43,263,350</b>	<b>20,123,816</b>

**8 a) Detailed analysis of the cash and cash equivalents**

Financial Institution	Account number	2022/2023	2021/2022
		Kshs.	Kshs.
<b>Mortgage Fund</b>			
KCB Bank Account	1159138850	31,202,612	14,562,958
<b>Car loan Fund</b>			
KCB Bank Account	1120521726	12,060,738	5,560,858
<b>Sub- Total</b>	-	-	-
<b>Grand Total</b>		<b>43,263,350</b>	<b>20,123,816</b>

Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023

Notes to the financial statements (continued)

9. Receivables from exchange transactions

Description	2022/2023		2021/2022	
	Kshs.		Kshs.	
<b>Current Receivables</b>				
Interest Receivable	-		-	
Current Loan Repayments Due	28,632,717		29,924,768	
Other Exchange Debtors	-		-	
Less: Impairment Allowance	-		-	
<b>Total Current Receivables</b>	<b>28,632,717</b>		<b>29,924,768</b>	
<b>Non-Current Receivables</b>				
Long Term Loan Repayments Due	387,792,562		369,126,331	
<b>Total Non- Current Receivables</b>	<b>387,792,562</b>		<b>369,126,331</b>	
<b>Total Receivables</b>	<b>416,425,279</b>		<b>399,051,099</b>	
<b>Ageing analysis (receivable from exchange transactions)</b>	<b>2022/2023</b>	<b>%of total</b>	<b>2021/2022</b>	<b>%of total</b>
Up to 1 year	28,632,717	7%	29,924,768	7%
Over 1 years	387,792,562	93%	369,126,331	93%
<b>Total (tie to totals above)</b>	<b>416,425,279</b>	<b>100%</b>	<b>399,051,099</b>	<b>100%</b>

10. Trade and other payables

Description	2022/2023		2021/2022	
	Kshs.		Kshs.	
Trade payables	-		-	
Other payables	-		-	
<b>Total trade and other payables</b>	<b>-</b>		<b>-</b>	
<b>Ageing analysis: (Trade and other payables)</b>	<b>2022/2023</b>	<b>% of total</b>	<b>2021/2022</b>	<b>% of total</b>
Up to 1 year	-	%	-	%
Over 1 years	-	%	-	%
<b>Total</b>	<b>-</b>	<b>%</b>	<b>-</b>	<b>%</b>

**Notes to the financial statements (continued)**

**11. Net cash flows from operating activities**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Surplus/ (deficit) for the year before tax	513,714	255,461
<b>Adjusted for:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	(11,439,710)	(10,423,617)
Finance cost	-	-
<b>Working capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	11,439,710	10,423,617
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>513,714</b>	<b>255,461</b>

**12. Financial risk management**

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

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

**a) Credit risk**

The Scheme 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

**Notes to the financial statements (continued)**

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 Scheme'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 Scheme's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs.	Fully performing Kshs.	Past due Kshs.	Impaired Kshs.
<b>At 30 June 2023</b>				
Receivables From Exchange Transactions- Car loans and mortgages	416,425,279	416,425,279	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	43,263,350	43,263,350	-	-
<b>Total</b>	<b>459,688,629</b>	<b>459,688,629</b>	-	-
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions- Car loans and mortgages	399,051,099	399,051,099	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	20,123,816	20,123,816	-	-
<b>Total</b>	<b>419,174,915</b>	<b>419,174,915</b>	-	-

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

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

**Notes to the financial statements (continued)**

**b) Liquidity risk management**

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

The table below represents cash flows payable by the Scheme 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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs.	Kshs.	Kshs.	Kshs.
<b>At 30 June 2023</b>				
Trade Payables	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Trade Payables	-	-	-	-
<b>Total</b>	-	-	-	-

**c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Scheme 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 Scheme'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 optimising the return. Overall responsibility for managing market risk rests with the Board.

**Notes to the Financial Statements (continued)**

The Authority's Corporate Strategy and Performance department is responsible for the development of detailed risk management policies and for the day-to-day implementation of those policies. The Board approves the policies.

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

**d) Interest rate risk**

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

***Management of interest rate risk***

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

***Sensitivity analysis***

The scheme analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**e) Capital risk management.**

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

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Revolving fund	449,586,616	409,586,616
Accumulated surplus ( <i>Reserves</i> )	10,102,013	9,588,299
<b>Total funds</b>	<b>459,688,629</b>	<b>419,174,915</b>

*Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme Annual Report and Financial Statements For the year ended 30<sup>th</sup> June 2023*

Less: cash and bank balances	(43,263,350)	(20,123,816)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

**13. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Scheme include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions.

Related parties include management personnel, their associates and close family members.

The Scheme is related to the following entities:

- a) Energy and Petroleum Regulatory Authority;
- b) Board Members;
- c) Key management of the Authority;
- d) Staff Mortgage and Car Loan Advisory Committee.

**b) Related party transactions**

**i. Transfers from related parties**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Transfers from EPRA	40,000,000	40,000,000

**ii. Key management remuneration**

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Board of Members*	-	-
Key Management Compensation*	-	-
Staff Mortgage and Car Loan Advisory Committee*	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

\*The Scheme does not remunerate or reimburse Board members, key management and the Staff Mortgage and Car Loan Advisory Committee.

**Notes to the financial statements (continued)**

**14. Events after the Reporting Period**

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

**15. Ultimate And Holding Entity**

The Energy and Petroleum Regulatory Authority Mortgage and Car Loan Scheme is a Scheme under the sponsorship of Energy and Petroleum Regulatory Authority which is a State Corporation

**16. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest shilling.

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**20. Annexes**

**Annex I: Progress on follow up of prior year Auditor's recommendations**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	Irregular charge of interest for the car loan scheme	Management has re-negotiated with the scheme administrator to reduce the car loan interest from 4% to 3% effective 1 <sup>st</sup> July 2022	Resolved	N/A



Director General

Date... 28<sup>th</sup> Sept. 2023

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**Annex II: Inter-Fund Confirmation Letter**

*Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Scheme  
P.O Box 42681-00100*

The Energy and Petroleum Regulatory Authority wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by Energy and Petroleum Regulatory Authority Staff Mortgage and Car Loan Schemes as at 30 <sup>th</sup> June 2023							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 <sup>th</sup> June 2023				Amount Received by EPRA Staff Mortgage and Car Loan Scheme (KShs) as at 30 <sup>th</sup> June 2023 (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
N/A	17/03/2023	40,000,000	-	-	40,000,000	40,000,000	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
Total	17/03/2023	40,000,000	-	-	40,000,000	40,000,000	-

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

**Head of Accountants department of beneficiary Scheme:**

Name ..... Sign .....Date .....

Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Project Expenditures				Source of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-

Annex IV: Reporting on Disaster Management Expenditure

Column I Programme	Column II Sub-programme	Column III Disaster Type	Column IV Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Column V Expenditure item	Column VI Amount (Kshs.)	Column VII Comments
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

