

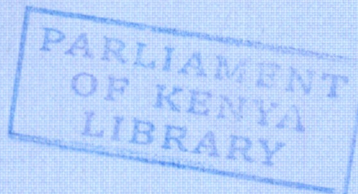
REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

Paper Laid
By the Hon Aden
Duale, Leader of
Majority on
Wed 19/11/14

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REPORT

OF

THE AUDITOR-GENERAL

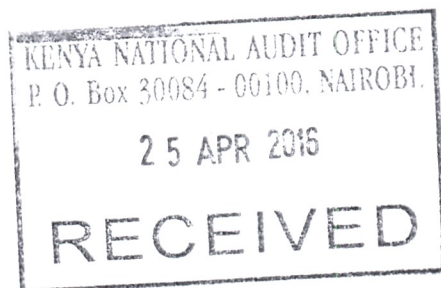
ON

THE FINANCIAL STATEMENTS OF
ENERGY REGULATORY COMMISSION

FOR THE YEAR ENDED
30 JUNE 2013



**ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE
PERIOD ENDED 30TH JUNE 2013**



ANNUAL REPORT & FINANCIAL STATEMENTS 2012/2013

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ENERGY REGULATORY COMMISSION INFORMATION

Established: Under the Energy Act, No. 12 of 2006

Commissioners:

The Commissioners who served during the year and to date of this report are:-

- | | | |
|-------------------------------|---|--|
| 1. Eng. Emma Kiilu (Mrs) | - | Chairperson |
| 2. Dr. Frederick Nyang | - | Ag. Director General, Appointed 21 st August 2013 |
| 3. Eng. Kaburu Mwirichia | - | Director General, Retired 20 th August 2013 |
| 4. Eng. Joseph Njoroge, MBS | - | Principal Secretary, Ministry of Energy and Petroleum |
| 5. Eng. Titus Ndonga Gitahi | - | Alternate to the PS, |
| 6. Mr. David M. Mutuku | - | Commissioner, Retired on 4 th July 2012 |
| 7. Mr. Mwangi Kariuki | - | Commissioner |
| 8. Dr. Keren Kaberere | - | Commissioner, |
| 9. Ms. Nassra Abdirahman Haji | - | Commissioner, |
| 10. Mr. Stanley Ngaine | - | Commissioner |
| 11. Mr. Kenneth W. Akide | - | Commissioner, Appointed on 22 nd August 2012 |

Principal Officers

- | | | |
|--------------------------|---|---|
| 1. Dr. Frederick Nyang | - | Ag. Director General |
| 2. Ms. Mueni Mutung'a | - | Commission Secretary |
| 3. Eng. Linus Gitonga | - | Director Petroleum |
| 4. Eng. Joseph Nganga | - | Director Electricity |
| 5. Mr. Pavel Oimeke | - | Director Renewable Energy |
| 6. Ms. Elizabeth Njau | - | Senior Manager, Human, Resource
& Administration |
| 7. Mr. James Kilonzo | - | Senior Manager, Finance and Strategic
Planning |
| 8. Mrs. Antoinette Kamau | - | Senior Manager, Comm. & Public Affairs |
| 9. Mr. Michael Mwangi | - | Ag. Procurement Manager |
| 10. Rosalind Murithi | - | Internal Auditor |

By order of the Commission


Mueni Mutung'a
Commission Secretary

CORPORATE INFORMATION

Energy Regulatory Commission (ERC) is established under the Energy Act 2006, following the operationalization of the Act with effect from July 7, 2007. The Electricity Regulatory Board became ERC, a single sector regulatory agency, with responsibility for economic and technical regulation of electric power, renewable energy, and downstream petroleum sub sectors. Its functions include tariff setting and review, licensing, enforcement, dispute settlement and approval of power purchase and network services contracts.

Vision Statement

To be a globally respected regulator enabling access to energy for socio-economic transformation.

Mission Statement

To facilitate access to efficient and sustainable energy through enabling regulation that will contribute to better quality of life in Kenya.

Core Values

Professionalism

The Commission shall uphold high standards of professionalism; all members of the Commission and professional staff are expected to adhere to their respective code of ethics.

Predictability

The ERC will follow clearly defined rules and regulations in the delivery of its services.

Integrity

The ERC will ensure the highest levels of integrity in its work.

Responsiveness

The ERC will endeavour to be sensitive and expeditious in dealing with stakeholders.

Teamwork

The ERC will, at all times, embrace teamwork, mutual cooperation and appreciation of diverse perspectives, in the discharge of its functions.

Energy Regulatory Commission Annual Report and Financial Statements 2013

Transparency

The ERC will conduct its work at all times in a transparent manner, consulting widely and making information readily accessible internally and externally to stakeholders.

Accountability

The ERC will ensure the highest levels of accountability in its work.

Independence

The ERC will ensure the highest levels of independence in its work.

PRINCIPAL PLACE OF BUSINESS

Eagle Africa Centre,
Longonot Road,
Upperhill,
P.O. Box 42681-00100
NAIROBI

BANKERS

Kenya Commercial Bank Ltd.
Moi Avenue Branch
P.O Box 48400 – 00100
NAIROBI

National Bank of Kenya Ltd.
Harambee Avenue Branch
P. O. Box 41862 - 00100
NAIROBI

LEGAL ADVISORS

Humphrey and Company Advocates
Lonrho House
12th Floor, Standard Street
P.O. Box 21398 – 00100 GPO
NAIROBI

AUDITORS

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

QUALITY POLICY

The Energy Regulatory Commission is committed to providing high quality regulatory services that comply with international standards, statutory requirements, the needs and expectations of its stakeholders as well as the Quality Management Systems as set out in ISO 9001: 2008.

Customer Focus

We are a customer driven organization that views every customer contact as an opportunity to add value and enhance our relationship.

We listen to our customers, learn and understand their needs thereby enabling us to anticipate and pro-actively offer attractive solutions.

We continuously strive to offer the best services for our customers.

Communication

We offer open, honest and constructive communication throughout the organization by supporting healthy debate and personal participation on issues affecting our business. We communicate with our customers in a fresh and informative way.

Service

We optimize the use of relevant technology to deliver attractive customer solutions, increase efficiency and minimize cost base.

We offer reliable service delivery channels that provide a comfortable, secure and user-friendly environment for both customers and employees alike. We constantly seek ways to improve the delivery of service to our customers.

CORPORATE GOVERNANCE STATEMENT

Introduction

Corporate governance is the process by which companies are directed and controlled. The concept of corporate governance has gained prominence and enshrined in codes of best practice developed by Organization for Economic Co-operation and Development (OECD), Commonwealth Association of Corporate Governance (CACG) and the Centre for Corporate Governance in Kenya.

The Commissioners recognize the need to conduct the business and operations of the ERC with integrity and in accordance with generally accepted corporate practice and endorse internationally developed principles of corporate governance. The Commissioners will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in the ERC's operations.

Commissioners

The members of the ERC are shown on page 3. The Commission is chaired by a Non Executive Chairperson (Eng. Emma Kiilu) appointed by the President. All Commissioners have extensive business and administrative experience in private and/or public sectors that is applied in the management of the ERC. Commissioners' allowances, honoraria and related transactions are disclosed in note 4 to these financial statements. Commission meetings are held regularly to review the ERC's performance against set targets and business plans as well as to formulate and implement strategy. Various committees whose chair-persons report to the Commission supplement the functions of the Commission.

Commission Finance and Administration Committee

The Commission Finance and Administration Committee is chaired by Non Executive Commissioner and meets at least on quarterly basis. The members are Mr. Mwangi Kariuki, Mr. Stanley Ngaine, and Eng. Kaburu Mwirichia. The Committee's responsibilities are ensuring overall sound financial reporting, internal system of controls, business plans and budgets, procurement, ICT, Public Relations, administration and staff affairs.

Commission Audit Committee

The Audit Committee is chaired by a non executive Commissioner and the members who are Non Executive Commissioners. The members are M/s Nassra Haji, Mr. Kenneth Akide, and Dr. Keren Kaberere. The responsibilities of the committee are to review the financial information of the Commission, monitoring the effectiveness of management information and internal control systems, deliberate on significant findings arising from both internal and external audits, and review the overall risks facing the Commission.

Energy Regulatory Commission Annual Report and Financial Statements 2013

Commission Technical Committee

The Technical Committee is chaired by a Non Executive Commissioner and meets at least on quarterly basis. The members are, Dr. Keren Kaberere, Mr. Martin Heya, Mr. Kenneth Akide, M/s Nassra Haji and Eng. Kaburu Mwirichia. The committee's responsibilities are to provide technical strategic direction of ERC and approve technical plans, activities, reports and budgets.

Delegation of Responsibilities

The preparation of ERC's financial statements is a role that has been delegated to management. These financial statements have been prepared in accordance with internationally accepted accounting practice based on appropriate accounting policies which have been consistently applied and supported by reasonable judgment and estimates.

Management ensures that adequate internal financial control systems are developed to provide reasonable certainty in respect of:

- The completeness and accuracy of accounting records
- The integrity and reliability of the ERC's annual financial statements and
- The safeguarding of the ERC's assets

The responsibility for the integrity, reliability and objectivity of the ERC's financial statement lies with the Commissioners.

The external auditors are responsible for independently examining and expressing an opinion on the reasonableness of the financial statements based on their audit.

REPORT OF THE COMMISSIONERS FOR THE YEAR ENDED 30TH JUNE 2013

The Commissioners submit their report together with the audited financial statements for the year ended 30th June 2013, which show the state of the Commission's affairs.

INCORPORATION

ERC is a state corporation established under the Energy Act, No. 12 Of 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Commission are

1. To regulate: -
 - i. Importation, exportation, generation, transmission, distribution, supply and use of electrical energy;
 - ii. Importation, exportation, transportation, refining, storage and sale of petroleum and petroleum products;
 - iii. Production, distribution, supply and use of renewable and other forms of energy;
2. Protect the interests of consumer, investor and other stakeholder.

RESULTS

The results together with the notes for the year are shown from page 13 to 32.

STATEMENT OF COMMISSIONERS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The Energy Act, No. 12 of 2006 requires the Commission to prepare financial statements for each financial year, which includes a Statement of Financial Position showing in detail the assets and liabilities of the Commission, a Statement of Financial Performance showing the income and expenditure, and such other statements that the Commission may deem necessary. The State Corporations Act (Cap 446) requires the Commission to ensure that proper books are kept recording all the property, undertakings, funds, activities, contracts, transactions and other business of the Commission. The Commission is also responsible for safeguarding the assets of the Commission.

The Commissioners accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. The Commissioners are of the opinion that the financial statements give a true and fair view of the State of the financial affairs of the Commission and of its operating results. The Commissioners further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Dr. Frederick Nyang  Date 14.03.2014

Ag. DIRECTOR GENERAL

Eng. Emma Kiilu (Mrs.)  Date 24-04-2014

CHAIR PERSON

Auditors Report

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON ENERGY REGULATORY COMMISSION FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Energy Regulatory Commission set out on pages 13 to 33, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in owners funds and the statement of cash flows 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

The Management of Energy Regulatory Commission is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such 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.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

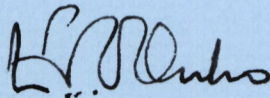
An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Energy Act, 2006.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

15 April 2014

Energy Regulatory Commission Annual Report and Financial Statements 2013

Statement of Comprehensive Income for the Year ended 30th June 2013


		2013	2012
		KES	KES
Operating revenue	Note		
ERB Levy	2(a)	194,487,122	182,574,919
Petroleum Levy	2(b)	137,087,045	123,358,289
Transfers from other government entities	2(c)	89,689,876	38,361,002
Other operating revenue	3	3,220,242	10,870,934
Total operating revenue		424,484,285	355,165,144
Operating expenses			
Commission expenses	4	22,736,899	19,094,707
Personnel emoluments	5	172,389,700	139,765,101
Training and other personnel costs	6	38,877,623	38,897,443
Office supplies and expenses	7	8,964,992	9,492,552
Transport and travel	8	22,722,971	24,390,491
Public relations and consumer services	9	24,180,533	36,914,653
Utilities	10	2,780,301	2,017,622
Information and communication technology expenses	11	3,098,072	3,380,106
Office rent and office services	12	29,474,395	26,181,247
Consultancy and other professional services	13	70,018,189	70,090,734
HIV/AIDS prevention related expenses	14	832,230	1,949,774
Depreciation/Amortization	15 & 16	42,981,269	40,614,271
Total operating expenses		439,057,175	412,788,700
Surplus (Deficit) from operating activities		(14,572,890)	(57,623,556)
Gain on disposal	25	1,685,115	1,123,075
Total non-operating revenue		1,685,115	1,123,075
Net surplus (loss) before transfer to Exchequer		(12,887,776)	(56,500,481)
Surplus to Exchequer (90%) provision		-	-
Net surplus (loss) after transfer Exchequer		(12,887,776)	(56,500,481)

Energy Regulatory Commission Annual Report and Financial Statements 2013

Statement of Financial Position as at 30th June 2013

ASSETS	Notes	2013 KES	2012 KES
Non-current assets			
Property, Plant and Equipment	15	96,568,124	116,503,210
Intangible Assets	16	24,360,744	42,784,672
		120,928,868	159,287,882
Investments	19	55,537,700	55,537,700
Current assets			
Receivables	20	46,255,910	61,440,742
Cash & cash equivalents	17 & 18	50,151,142	41,944,912
		96,407,052	103,385,653
Total Asset		272,873,620	318,211,235
OWNERS FUNDS AND LIABILITIES			
Owners Funds			
Revaluation Reserves		7,032,500	7,032,500
Retained reserves		118,342,272	131,230,048
Sinking fund	24	55,000,000	55,000,000
		180,374,772	193,262,548
Liabilities			
Payables	21	77,956,787	112,059,623
Provisions	22	2,615,539	2,935,961
Employee benefits	23	11,926,522	9,953,103
		92,498,848	124,948,687
Total Owners Funds and Liabilities		272,873,620	318,211,235

The Financial statements were approved by the Commission on **25th July 2013** and signed on its behalf by:



Eng. Emma Kiilu (Mrs)



Dr. Frederick Nyang

Energy Regulatory Commission Annual Report and Financial Statements 2013

Statement of changes in Owners Funds for the year ended 30th June 2013

	Revaluation	Retained	Sinking Fund	Total
	Reserves KES	Reserves KES	Reserves KES	Reserves KES
Balance as at 1st July 2011	7,032,500	187,730,529	55,000,000	249,763,029
Net surplus/Loss for the period	-	(56,500,481)	-	(56,500,481)
Transfer to/from Sinking Fund		-	-	-
Surplus to Exchequer				-
Balance as at 30th June, 2012	7,032,500	131,230,048	55,000,000	193,262,548
Balance as at 1st July 2012	7,032,500	131,230,048	55,000,000	193,262,548
Net surplus/Loss for the period	-	(12,887,776)	-	(12,887,776)
Transfer to/from Sinking Fund		-	-	-
Surplus to Exchequer				-
Balance as at 30th June, 2013	7,032,500	118,342,272	55,000,000	180,374,772

Energy Regulatory Commission Annual Report and Financial Statements 2013

Statement of Cash Flow for the year ended 30th June 2013

	Note	2013 KES	2012 KES
Cash flow from operating activities:			
Net surplus (loss) from operations before transfer to treasury		(12,887,776)	(56,500,481)
Adjustments:			
Investment Income		(3,137,681)	(10,336,128)
Gain on Disposal		(1,685,115)	(1,123,075)
Depreciation		42,981,269	40,614,271
Operating surplus (loss) before working capital changes		25,270,697	(27,345,412)
Decrease (Increase) in debtors		15,184,832	(23,126,220)
Increase (Decrease) in creditors and accruals		(32,449,839)	(30,445,406)
Cash generated from operations		8,005,690	(80,917,037)
Investing activities:			
Purchase of fixed assets	15 & 16	(4,812,242)	(35,626,429)
Proceeds of Sale of fixed assets		1,875,100	1,156,000
Interest Received		3,137,683	10,338,829
Net Cash outflow from investing activities		200,541	(24,131,600)
Net Increase (Decrease) in cash & cash equivalents		8,206,231	(105,048,638)
Cash & cash equivalents at the beginning of the Period		41,944,912	146,993,550
Cash & cash equivalents at the end of the period		50,151,142	41,944,912
represented by:			
Short term deposits		30,000,000	30,000,000
Bank balances		20,150,517	11,894,912
Petty cash		625	50,000
		50,151,142	41,944,912

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

1. Significant Accounting Policies

a) Basis of Accounting

The financial statements comply with International Financial Reporting Standards (IFRS). The measurement base is historical cost adjusted for revaluation of assets.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

b) Revenue Recognition

Revenue from the levy is recognized when received or receivable. Other sources of revenue are recognized to the extent that related revenue can be reliably measured.

c) Fixed Assets and Depreciation

Fixed Assets are stated at cost less accumulated Depreciation

Depreciation is calculated on the cost of the fixed assets on a straight line basis, at annual rates estimated to write off the cost of these assets over the expected useful life.

The Depreciation rates used are as follows;

• Motor vehicles	25%
• Furniture & Fittings	12.5%
• Computer Equipments	30%
• Equipments	12.5%

The Amortization rates used are as follows;

• Intangible assets	30%
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

d) Taxation/Transfer to Treasury

No provision has been made for Income Tax. The commission does not operate for gain. Its income is therefore not subject to tax. However a provision is made for transfer of surplus funds to Treasury in line with Section 13A of the Government Financial Management Act that states that a regulatory authority established by an Act of Parliament shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

e) Retirement Benefits

The Commission operates a defined contribution pension scheme for permanent and pensionable employees. The scheme is currently administered by Retirement Benefit Authority (RBA) approved Administrator, namely CFC Insurance Company. The Commission makes a monthly contribution of 15% of the employees' basic salary and the employee contributes 7.5% of their monthly basic salary

The Commission also contributes to a statutory defined contribution plan, National Social Security Fund. Contributions are determined by Local statute and are currently limited to a maximum of KES 200 per employee per month.

f) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash at hand and deposits held at call.

g) Comparatives

Where necessary, comparative figures have been adjusted where applicable to conform to changes in the current presentation.

h) Employee Entitlement

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

Employee entitlements to gratuity are recognized when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

i) Capital

The Commission's capitals consist of the Accumulated reserves and the Sinking Fund. The objectives when managing capital include:-

- To safeguard the Commission's ability to continue as a going concern so that it can continue to provide energy regulatory services to the nation.
- To match the profile of its assets and liability, taking account of the risks inherent in the business operation.
- To comply with the statutory requirements on provision for the renewal of depreciating assets

j) Incorporation

The Commission is a state corporation established under The Energy Act NO.12 of 2006

k) Currency

These accounts are presented in Kenya Shillings (KES)

2 (a). ERB Levy

The ERB levy is payable by every consumers of electricity energy at the rate of 3 cents per every unit of electricity sold and payment in respect thereof received by Kenya Power and Lighting Company Limited (KPLC) as per Legal Notice No. 148 of 1999. The Levy collected is payable to ERC by KPLC before the 30th day of each month in respect of the immediately preceding month.

	2013	2012
	KES	KES
ERB Levy	194,487,122	182,574,919.05

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

2 (b). Petroleum Levy

The Petroleum levy is paid per Legal Notice Nos. 91 & 108 of 2008 on the petroleum products consumed in Kenya as follow: Motor spirit (gasoline) regular KES 50.00 per 1,000 litres at 20°C, Motor spirit (gasoline) Premium KES 50.00 per 1,000 litres at 20°C, Kerosene KES 50.00 per litre at 20°C, Automotive gas oil KES 40.00 per 1,000 litres at 20°C and Diesel oil (industrial heavy) KES 50.00 per 1,000 litres at 20°C. The levy is collected by the Kenya Revenue Authority (KRA) and is payable to ERC by KRA before the 30th day of each month in respect of the immediately preceding month.

	2013	2012
	KES	KES
Petroleum Levy	137,087,045	123,358,288.80

Energy Regulatory Commission Annual Report and Financial Statements 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

2 (c). Transfers from Government:

ERC was financed under the Energy Sector Recovery Project. The Funds were received from International Development Association under Credit agreement Number 3958KE. The funds were utilized as follows:

	2013	2012
	KES	KES
Consultancy -Drafting of Regulations, Codes, systems study	79,045,502	26,947,698
Capacity Building – World Bank	10,644,374	9,396,604
Consultancy Regulatory Management Information System	-	2,016,700
	89,689,876	38,361,002

Energy Regulatory Commission Annual Report and Financial Statements 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

3. Other operating revenue	2013 KES	2012 KES
Interest on investments	3,137,681	10,336,128
Miscellaneous revenue	82,561	534,808
	3,220,242	10,870,934
4. Commission expenses		
Monthly Fees /Honoraria	5,126,129	4,355,664
Sitting allowance - Commissioners	7,080,667	5,604,000
Seminars, travel & accommodation	7,942,073	7,695,611
Medical	746,503	562,646
Meeting, entertainment & others	1,841,527	876,784
	22,736,899	19,094,707

Energy Regulatory Commission Annual Report and Financial Statements 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

5. Staff salaries & benefits	2013 KES	2012 KES
Salaries	105,587,717	81,902,505
House Allowance	30,654,329	28,881,468
Car/Commuting allowance	13,657,829	13,366,478
Pension & gratuity	15,802,855	13,469,080
Special Duty / Acting Allowance	548,695	448,176
Leave & Other Allowances	6,138,275	1,697,394
Total for staff	172,389,700	139,765,101
6. Training & other Staff costs		
Medical	14,989,710	8,683,717
Life & accident insurance	2,042,582	1,542,004
Training & capacity building - ERC funded	9,732,402	18,245,470
Training & capacity building - World Bank funded	10,211,524	9,396,604
Subscriptions-clubs & professional associations	1,110,117	897,267
Staff welfare & laundry	65,108	67,088
Staff uniforms	759,779	65,293
	38,877,623	38,897,443
Number of employees	69	66

Energy Regulatory Commission Annual Report and Financial Statements 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

	2013 KES	2012 KES
7. Office supplies & expenses		
Stationery ,postage & supplies	4,432,249	4,529,813
Meetings, office tea & miscellaneous	3,644,089	3,407,413
Newspapers, books & periodicals	888,655	1,555,327
	8,964,992	9,492,552
 8. Transport & travel expenses		
Travel-local and surveillance Audits	9,867,682	13,825,279
Travel-international	8,747,492	7,180,431
Fuel	1,659,455	1,469,628
Vehicle repair & service	1,245,420	918,921
Vehicle insurance & licenses	1,202,923	996,233
	22,722,971	24,390,491
 9. Public relations & consumer services		
Corporate subscriptions	1,612,164	875,234
Corporate social responsibility	4,116,119	3,797,681
Advertisements & public relations	12,880,559	22,610,115
Branding	498,550	4,125,911
Public seminars/workshops	3,073,142	3,505,712
Kenya Energy Environment Programme (KEEP)	2,000,000	2,000,000
	24,180,533	36,914,653

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

	2013	2012
	KES	KES
10. Utilities		
Telephone & fax	2,492,328	1,747,321
ISDN line	287,973	270,301
	2,780,301	2,017,622
11. Information and communication technology expenses		
Bandwidth	1,109,360	741,588
Software licenses	1,988,712	2,638,518
	3,098,072	3,380,106
12. Office rent & office services		
Rent	25,810,743	22,078,761
Security	1,164,800	1,090,345
Office cleaning	1,569,619	1,957,549
Repair & service-office equipment	463,760	669,703
Insurance & other	465,473	384,889
	29,474,395	26,181,247
13. Consultancy & other services		
Consultancy - ERC funded	26,741,655	40,174,524
Consultancy - WB funded	42,396,785	28,964,398
Bank charges	531,749	651,812
Audit fees & Expenses	348,000	300,000
	70,018,189	70,090,734

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

	2013	2012
	KES	KES
14. HIV/AIDS prevention related expenses		
Gender	116,000	498,800
Drugs & Substance Abuse	-	40,000
HIV / AIDS Disability, Drug and Substance Abuse and safety	716,230	1,410,974
	832,230	1,949,774

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

15. Property, Plant and Equipment

	Motor Vehicles	Computer equipment	Furniture & Fittings	Equipment (Telephone Fax & others)	Work in Progress	Total
	KES	Equipment KES	Fittings KES	KES	KES	KES
Cost:						
At 1st July, 2011	25,479,357	17,727,411	3	7,773,150	152,855,352	203,835,273
Adjustment	-	5,774,054	96,942,486	964,457	(152,855,352)	(49,174,354)
Add: additions during the year	14,466,450	2,536,949	201,840	2,834,251	-	20,039,490
Less: disposals during the year	(4,399,200)	(915,470)	-	(399,248)	-	(5,713,918)
At 30th June 2012	35,546,607	25,122,944	97,144,329	11,172,610	-	168,986,490
Cost:						
At 1st July, 2012	35,546,607	25,122,944	97,144,329	11,172,610	-	168,986,490
Adjustment	-	-	-	-	-	-
Add: additions during the year	-	3,723,475	164,245	900,161	-	4,787,882
Less: disposals during the year	(4,700,000)	(5,139,198)	(66,773)	(144,130)	-	(10,050,101)
At 30th June 2013	30,846,607	23,707,222	97,241,801	11,928,641	-	163,724,271

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	KES	KES	KES	KES	KES
Depreciation:					
At 1st July, 2011	18,063,868	15,737,657	3	5,722,398	39,523,926
Adjustment		(3,920,336)	-		(3,920,336)
Charge for the year	3,950,103.20	5,006,075.50	12,142,413.59	1,263,390.81	22,361,983
Disposal	(4,399,200)	(915,470)	-	(363,623)	(5,678,293)
At 30th June, 2012	17,614,771	15,907,927	12,142,417	6,622,166	52,287,280
Depreciation:					
At 1st July, 2012	17,614,771	15,907,927	12,142,417	6,622,166	52,287,280
Adjustment	-	1	1	-	1
Charge for the year	6,124,201.04	5,664,375.56	12,152,878	787,525.95	24,728,981
Disposal	(4,700,000)	(5,043,802)	(8,347)	(107,967)	(9,860,116)
At 30th June, 2013	19,038,972	16,528,501	24,286,949	7,301,725	67,156,147
Net book value:					
At 30 June 2013	11,807,635	7,178,721	72,954,852	4,626,916	96,568,124
At 30 June 2012	17,931,836	9,215,018	85,001,912	4,550,444	116,699,210

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

16 Intangible Assets

Cost:	KES
At 1st July, 2011	-
Adjustment	49,174,355
Add: additions during the year	15,586,939
Less Disposal during the year	-
At 30th June 2012	64,761,294
Cost:	
At 1st July, 2012	64,761,294
Adjustment	-
Add: additions during the year	24,360
Less Disposal during the year	-
At 30th June 2013	64,785,654

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Amortization Charge

At 1st July ,2011	-
Adjustment	3,920,334
Amortisation charge	18,252,288
Less Disposal during the year	-
At 30 June, 2012	22,172,622
At 1st July ,2012	22,172,622
Adjustment	-
Amortization charge	18,252,288
Less Disposal during the year	-
At 30 June, 2013	40,424,910
Net book value	
As at 30 June 2013	24,360,744
As at 30 June 2012	42,588,672

Included in the cost of intangible assets is a carrying amount of KES 3,920,334 fully amortized software.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

17. Fixed/Call Deposits

	2013	2012
	KES	KES
National Bank of Kenya (FDR)	30,000,000	30,000,000
	30,000,000	30,000,000

18. Bank balances

Commercial Bank of Africa	94,500	-
National Bank of Kenya	120,212	11,294,634
Kenya Commercial Bank	19,935,805	600,277
Petty Cash	625	50,000
	20,151,142	11,944,912

19. Investment

Treasury bonds	55,537,700	55,537,700
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20. Receivables

G.O.K(I.D.A project)-Consultancy	10,644,374	27,857,546
Hospital and Rent Deposits	5,245,472	4,660,472
Levies	28,747,077	23,767,732
Telephone-Deposits	94,000	94,000
Investment Interest Receivable		681,863
Staff Advance	541,575	130,187
Commission Imprest	10,000	-
Staff Imprest	898,668	2,991,492
Miscellaneous receivables	74,744	677,449.41
Miscellaneous deposits		580,000
	46,255,910	61,440,742

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2013

21. Payables	2013	2012
Suppliers	41,175,872	64,267,658
Rural Electrification Authority-Contractors	593,525	209,400
Year end Accrual	14,141,173	26,061,467
Commission Fees payable	91,482	1,433,976
Energy Act Advances from energy sector stakeholders	21,954,736	20,087,122
	77,956,787	112,059,623
 22. Provisions		
Audit fees	348,000	300,000
Withheld VAT and Other statutory deductions	2,267,539	2,635,961
	2,615,539	2,935,961
 23. Employee benefits		
Gratuity Director General	3,959,570	3,177,200
Gratuity & staff accruals	1,248,431	2,342,083
Other-payroll Benefits	6,718,520	4,433,820
	11,926,522	9,953,103

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2012

24. Sinking Fund

The Commission established a sinking fund policy and management frame work and approved an initial provision of KES 45,000,000 sinking fund in 2010 to be separated from accumulated reserves in line with the State Corporation Act (Cap 446) section 16(1), which states that 'every state corporation shall make provision for the renewal of depreciating assets by the establishment of sinking funds and for contributions to such reserve and stabilization funds as may be required'. A further sinking fund provision of KES 10,000,000 was made in 2011 making the total sinking fund KES 55,000,000.

25. Gain on Disposal

During the year under review, in line with the Procurement and Disposal Act, ERC disposed several fixed assets above their net book value realizing a gain on disposal amounting to KES 1,685,115.

26. Contingency liabilities

A former employee of the Commission filed a suit for wrongful dismissal and a claim for his terminal dues in the High Court; the matter was later moved to the industrial court and is still outstanding.

