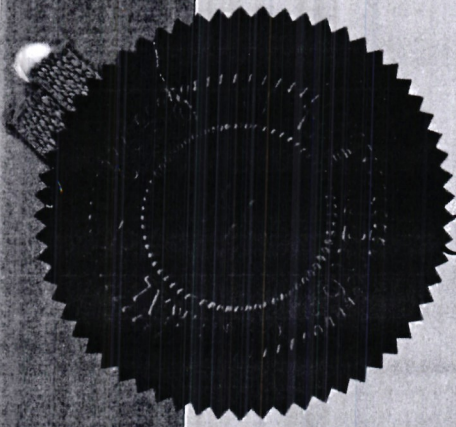




OFFICE OF THE AUDITOR-GENERAL



Munira Njoroge

REPORT

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Paper Laid on the Table of the House by the Leader of the

THE FINANCIAL STATEMENTS OF ENERGY REGULATORY COMMISSION

Majority Party on

Tuesday 24 July 2018

FOR THE YEAR ENDED 30 JUNE 2017

(Afternoon)
[Signature]





Energy Regulatory Commission

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

ENERGY REGULATORY COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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I. KEY ENTITY INFORMATION AND MANAGEMENT

Background information

(The Energy Regulatory Commission ERC) was formed under the Energy Act, No. 12 of 2006.

(a) Principal Activities

The principal activity/mission of the *ERC* is to regulate the Energy Sector 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.

Key Management

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

The Commissioners

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

1	Mr. Joshua Oigara	-	Chairperson
2	Mr. Pavel Robert Oimeke	-	Director General (Appointed on 1/8/17)
3	Eng. Joseph Njoroge, MBS	-	Principal Secretary, MOE&P
4	Eng. Titus Ndonga Gitahi	-	Alternate to the Principal Secretary
5	Eng. Samuel Maugo	-	Commissioner
6	Eng. Eric Nyamunga	-	Commissioner
7	Dr. Sellah Kebenei	-	Commissioner
8	Mr. Njenga Mwangi	-	Commissioner
9	Mr. Nixon L. Lenaiyara	-	Commissioner

(b) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

Designation	Name
1 Director General	Mr. Pavel R. Oimeke
2 Commission Secretary	Ms. Mueni Mutung'a
3 Ag. Director Petroleum	Mr. Edward Mwirigi
4 Director Electricity	Eng. Joseph Oketch
5 Ag. Director Renewable Energy	Ms. Caroline Kimathi
6 Director Economic Regulation	Dr. Frederick Nyang
7 Head, HR & Administration	Ms. Elizabeth Njau
8 Head, Finance and ICT	Mr. James Kilonzo
9 Head, Corporate Communications	Mrs. Antoinette Kamau
10 Head, Procurement	Ms. Loise Thuge
11 Ag. Head, Internal Audit & Risk Management	CPA. Rosalind Murithi

(c) Fiduciary Oversight Arrangements

(i) The Commission

The Commission is chaired by a non-Executive Chairperson (Mr. Joshua Oigara) 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. Commission meetings are held regularly to review ERC's performance against set targets and business plans as well as to formulate and implement strategy. Various committees whose chairpersons report to the Commission supplement the functions of the Commission.

(ii) Commission Finance and Administration Committee

The Commission's Finance and Administration Committee is chaired by a non-Executive Commissioner and meets at least on quarterly basis. The members are Mr. Njenga Mwangi (Chair), Eng. Titus Ndonga Gitahi, Eng. Samuel Maugo and Mr. Pavel R. Oimeke. The Committee's responsibilities are ensuring sound financial reporting, internal system controls, business plans and budgets, procurement, ICT, Public Relations, administration and staff matters.

(iii) Commission Audit & Risk Committee

The Audit Committee is chaired by a non-executive Commissioner and the members are non-Executive Commissioners. The members are Eng. Nixon Lenaiyara (Chair), Eng. Eric Nyamunga and Dr. Sellah Kebenei. 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.

(iv) Commission Technical Committee

The Technical Committee is chaired by a non-Executive Commissioner and meets at least on quarterly basis. The members are Eng. Eric Nyamunga (Chair), Eng. Samuel Mugo, Eng. Titus Ndonga Gitahi, Mr. Nixon L. Lenaiyara and Mr. Pavel R. Oimeke. The Committee's responsibilities are to provide strategic technical direction of ERC and to approve technical plans, activities, reports and budgets.

(d) Commission Headquarters

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

(e) Commission Contacts

Telephone: (254) 2002847200
E-mail: info@erc.go.ke
Website: www.erc.go.ke

(f) Commission Bankers

Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 48400
GPO 00100
Nairobi, Kenya

National Bank of Kenya
Harambee Avenue Branch
P.O. Box 41862
GPO 00100
Nairobi, Kenya

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Commercial Bank of Africa
Upper Hill, Mara / Ragati Road
P. O. Box 30437
GPO 00100
Nairobi, Kenya




(g) Independent Auditors

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



(h) Principal Legal Adviser

Mwaura Wachira
Blue Violets Plaza
Kindaruma Road, Kamburu Drive
P.O. Box 51667-00200
Nairobi, Kenya




II. THE COMMISSIONERS

 <p>Mr. Joshua Oigara Chairperson</p>	<p>Joshua Oigara was appointed Chairman of the Energy Regulatory Commission on 18th March 2016. He brings to the Commission valuable experience in business and management, having held senior positions at various organizations across Africa. He is the Group Chief Executive Officer at KCB Bank Group and Managing Director, Kenya. He was appointed the Chairman of Kenya Bankers Association Governing Council for a second term and appointed by H.E. President Uhuru Kenyatta to serve as a Board Director in Kenya Vision 2030. In September 2015, Mr. Oigara was named among the top 100 youngest and most influential economic leaders in Africa by the Paris-based <i>Institut Choiseul</i>, an independent French research center.</p> <p>Date of Birth: 9th November, 1975</p>
 <p>Pavel Robert Oimeke B.Tech (Chem. Eng) – Director General</p>	<p>Mr. Pavel Robert Oimeke is a renewable energy and energy efficiency specialist with close to two decades of experience. Eng. Oimeke holds a Bachelor's degree in Chemical and Process Engineering from Moi University, a Diploma in Energy Planning and Use from Life Academy, Sweden; a Certificate in Corporate Governance and is currently in the final stages of completing a Master's degree in Sustainable Energy Engineering from Kenyatta University. He is registered with the Institute of Engineers of Kenya (IEK), the Association of Energy Professionals East Africa(AEPEA), and Engineers Board of Kenya(EBK). He is also a member of the Institute of Leadership and Management (ILM), UK.</p> <p>Date of Birth: 29th April 1976</p>
 <p>Eng. Joseph Njoroge Principal Secretary, Ministry of Energy and Petroleum</p>	<p>Eng. Dr. Joseph K Njoroge has wide experience in power engineering and management. He joined KPLC in 1980 and rose through the ranks to become Managing Director in June 2007. Eng. Njoroge holds a Bachelor of Science degree in electrical engineering and Master of Business Administration with a major in strategic Management and a PhD in Business Administration. He is a Chartered Electrical Engineer, a member of the Institution of Engineering and Technology, UK, a Registered Consulting Engineer, and is also a Fellow of the Institution of Engineers of Kenya. He is also Chairman of the MBA Chapter of University of Nairobi Alumni Association.</p> <p>Date of Birth: 16th June 1958</p>



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 <p>Eng. Titus Ndonga Gitahi Alternate to the Principal Secretary</p>	<p>Eng. Ndonga Gitahi holds a Bachelor of Science in Mechanical Engineering from University of Nairobi, and a Master of Science in Environmental Engineering from University of South Bank, London</p> <p>Eng. Gitahi worked with the Ministry of Public Works from 1983 to 2010, rising through the ranks to a senior engineer position where he was in charge of Design and Supervision of Mechanical Engineering Works in Government Building and Institutions. In 2010, Eng. Gitahi joined the Ministry of Energy and Petroleum. He has attended several short courses both locally and abroad. Some of the courses attended include Electrical Power Systems Engineering (Tokyo, Japan), Energy Policy Development for Developing Countries (Beijing, China), Power Engineering & Management, (Seoul, S. Korea), Environmental Impact Assessment of Projects. He is a Registered Engineer (R. Eng.) and is a Member of the Institution of Engineers of Kenya (MIEK)</p> <p>Date of Birth: 12th June, 1958</p>
 <p>Dr. Kebenei J. Sellah Commissioner</p>	<p>Dr. Kebenei, a senior academician at Kabarak University, has conducted extensive research in the field of chemistry. She began her academic career at the University of Nairobi in 1981, where she graduated with a Bachelor in Science degree with a major in chemistry. She subsequently did a Masters of Philosophy degree at the Moi University followed by a Doctor of Philosophy (Chemistry) also at Moi University.</p> <p>Date of Birth: 28th February, 1961</p>

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 <p>Eng. Eric Nyamunga Commissioner</p>	<p>Eng. Nyamunga has 25 years' experience in Engineering. He holds a Bachelor of Science degree in Electrical Engineering. He has previously served as the Managing Director and Chief Executive of Kenya Railways. Eng. Nyamunga is currently the Director of Syldon and Partners Consulting Engineers.</p> <p>Date of Birth: 23rd September, 1946</p>
 <p>Mr. Peter Njenga Mwangi Commissioner</p>	<p>Mr. Mwangi is an advocate of the High Court of Kenya with close to 30 years' experience practicing law. Further to being an advocate, Mr. Mwangi has experience as a company secretary and project manager. He has contributed towards various bills including the Micro Finance Bill and the Pyrethrum Authority Act. Mr. Mwangi is involved in human rights, having handled several cases in the Rift Valley and conducting research on the causes of social conflict, including the Rwanda genocide. Mr. Mwangi is pursuing a Master's degree in International Studies at the University of Nairobi.</p> <p>Date of Birth: 20th September, 1960</p>
 <p>Eng. Samuel Nyanchama Maugo Commissioner</p>	<p>Eng. Maugo holds a Master's degree in Structural Engineering from Concordia University, Montreal, Canada as well as a Bachelor of Science degree in Civil Engineering from Nairobi. He has a wide range of experience, from a Design/Project Engineer in Kennard and Lapworth Ltd to Managing Director of MultiScope Consulting Engineering Ltd</p> <p>Date of Birth: 1st January 1955</p>

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 <p>Mr. Nixon L. Lenaiyara Commissioner</p>	<p>Mr. Lenaiyara is a technology-consulting expert with eight years' experience in ICT systems implementation in banking and insurance sectors. He has a Master of Science in Telecommunications Engineering from the Czech Technical University (Prague) where he graduated in 2010. Prior to that, Eng. Lenaiyara was awarded a Bachelor of Science degree in Electrical Engineering and Informatics at the same university</p> <p>Date of Birth: 10th September, 1984</p>
 <p>Ms. Mueni Mutung'a - Commission Secretary</p>	<p>Mueni 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 has also trained extensively in Good Corporate Governance and is a member of the Institute of Directors as well as the Institute of Certified Public Secretaries of Kenya and Chartered Institute of Arbitrators. She is an advocate of the High Court of Kenya.</p> <p>She started her career as an advocate and worked with the law firm of Robson Harris & Co advocates. She later moved to Total Kenya Ltd where she worked as a legal officer. She worked as the Corporation Secretary of Kenya Wildlife Service prior to taking up her current appointment as the Commission Secretary.</p> <p>Date of Birth: 28th February, 1964</p>

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III. MANAGEMENT TEAM



Pavel Oimeke
B.Tech (Chem. Eng)

Director General: Commissioner and Chief Executive Officer of the Commission.



Dr. Frederick Nyang
PhD (Economics)




Director Economic Regulation: Heading the Economic Regulation function of the Commission






Ms. Mueni Mutung'a
MBA, LL. B (Hons),
CPS (K), Dip. Law
(KSL)

Commission Secretary: Secretary to the Commission and Head of the Legal function of the Commission



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 <p>Eng. Joseph Oketch MBA, BSc (Elec. Eng.), R. Eng., MIEK</p>	<p>Director Electricity: Heading the electricity subsector regulation function of the Commission</p>
 <p>Edward Kinyua B.Tech (Mech. & Prod. Eng)</p>	<p>Ag. Director Petroleum Regulation: Heading the downstream petroleum regulation function of the Commission.</p>
 <p>Ms. Caroline Kimathi MBA, Bsc. (Electrical and Electronic Engineering), CEM</p>	<p>Ag. Director Renewable Energy: Heading the renewable energy regulation function of the Commission.</p>

ENERGY REGULATORY COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS
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 <p>Mrs. Antoinette Kamau, MA (Communication), BED (Hons)</p>	<p>Head of Corporate Communications: Heading communication, public affairs and corporate social responsibility functions of the Commission</p>
 <p>Ms. Elizabeth Njau MBA (HR), BA (Hons), Dip.(Business Mgt)</p>	<p>Head, Human Resources & Administration: Heading the Human Resources and Administrative functions of the Commission.</p>
 <p>CPA James Kilonzo MBA, Bcom (UoN), CPA(K), CISA</p>	<p>Head of Finance and ICT: Heading the finance and ICT functions of the Commission.</p>

ENERGY REGULATORY COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS
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 <p>CPA Rosalind Murithi MBA, Bcom, CPA(K), CISA, CISM</p>	<p>Ag. Head of Internal Audit & Risk Management: Providing value added services in controlling risks, compliance monitoring and continuously improving internal control systems</p>
 <p>Ms. Loise Thuge (Msc JKUAT), BA MCIPS(UK), MKISM</p>	<p>Head of Procurement: Heading the supplies and procurement functions of the Commission.</p>

IV. CHAIRPERSON'S STATEMENT

It gives me great pleasure to present the Commission's annual report and financial statements for the year ended 30th June 2017. The report comes at a time when the country has been undergoing one of the most challenging times characterised by security concerns, election jitters and international challenges including the exit of Britain from the EU (Brexit). These issues significantly affected the operations of the Energy sector and indeed the economy, considering the centrality of the sector in driving all other productive sectors. Consequently, there was reduced economic growth recorded at 5.7% in the first, second and third quarters and 5.3% by the end of the 4th quarter.

The Commission was established in 2007 to regulate Kenya's energy sector consisting of electricity, Petroleum and renewable energy subsectors. It is mandated to oversee the smooth functioning of the sector guided by the provisions of Sessional Paper No 4 of 2004 on Energy and the Energy Act of 2006. This is achieved through various regulatory instruments including licensing, Power Purchase Agreement approvals, Regulation development and enforcement, monitoring performance of sector utilities, Energy sector pricing as well as complaints resolutions.

Even with the challenging environment experienced during the financial year, the Commission was able to steer the sector to a satisfactory growth, registering a good performance in power generation, network expansion and reliability, stable petroleum market environment, and investment in cleaner, reliable and abundantly available renewable energy technologies in the country.

Since 2013 to the end of the financial year, a cumulative 682.5MW has been added to the national installed capacity. Most of this capacity is in renewable energy technologies enhancing the country's reputation as a source of clean energy. Network expansion that had remained a historical challenge in the 1990s as a result of underinvestment has experienced a great improvement in recent times.

By the end of the period under review, the total network comprising of high, medium and low voltage lines stood at 213,700 Kms, a 19.2% increase from the previous year. High voltage network was approaching 4800Kms with KETRACO taking a lead role in the expansion. The Commission on its part has ensured that resources are made available for maintenance of the existing lines while working towards introducing a sustainable wheeling charge that would allow for faster network

expansion. At retail and distribution level, the Commission ensured that all prudently incurred costs along the power supply chain were met through a largely cost reflective tariff. Towards this end, a review of the retail tariff was initiated to ensure that new investments are fully paid for while all sector utilities remain financially viable.

The total installed electricity generation capacity increased by 6.3 per cent to 2,333.6 MW. Total electrical energy purchased in the in the financial year was 10,205 GWh compared 9,817 GWh purchased in 2015/16 financial year. On the other hand, demand for electricity increased by 4.5% from 7,912 GWh in 2015/16 to 8,272 GWh by the end of the financial year. Customers connected through the Rural Electrification Programme rose by 30.61% from 972,018 customers to 1,269,510 customers over the same period.

In the petroleum subsector, the Commission continues to set maximum retail prices for 3 critical products namely Diesel, Premium Motor Spirit and Illuminating Kerosene. Following a glut in crude oil supply globally, there was a major decrease in landed costs of products in the country during the financial year. Murban crude prices for example decreased to an average of USD 52.53 per barrel in 2015/16, from an average of USD 99.45 per barrel in 2014/15. The volume of petroleum product imports increased marginally from 4,739.8 to 5046.9 thousand tonnes in the same period. The country's total import bill of petroleum products dropped by 12.6% from Ksh.226.1 billion in 2015 to Ksh.197.5 billion in 2016. The Commission ensured that that all benefits arising from the reduced global prices were passed on to consumers. The Commission will continue to monitor the Macroeconomic situation in the country and pass any accruing benefits to energy consumers and investors.

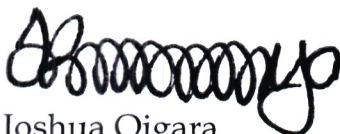
Going forward, the Commission is exploring ways of managing end user tariffs in order to lower the costs of living, while ensuring the tariffs remain attractive to investors. Among the key issues being considered is the introduction of a Time of Use (TOU) tariff for large commercial and industrial consumers. The intention is to fully utilize cheap base load capacity that is otherwise lost during off-peak periods. It is observed that the country's peak load is high but is only experienced for a very short period, largely in the evenings. The commission wishes to shift part of this consumption to off-peak periods preferably at night when geothermal capacity is available leading to system optimization and hence lowering end user tariffs.

The country has in the recent past experienced increased interest by developers in the development of Liquefied Petroleum Gas (LPG) infrastructure. This has been buoyed by a growth in LPG consumption as more Kenyans enter the middle class and abandon traditional biomass cooking fuels. On this account, the Commission is encouraging the shift to LPG through fiscal and regulatory incentives. That aside, the Commission continues to monitor the quality of petroleum fuels used in the country through a national marking and monitoring program. The program ensures that consumers are protected from adulterated fuels and hence safeguards their vehicles from damage. The program also protects the country's tax revenue by preventing dumping of tax exempt export bound petroleum products into the local market.

At a policy level, the Commission has been in the forefront in developing a policy and legislative framework that is in line with the revised constitution. The National Energy Bill, National Petroleum bill and Draft National Energy Policy that currently are before Parliament will align the energy sector with the Constitution of Kenya 2010 and the country's Vision 2030. Some of the salient features in the Bills that touch on the Commission's mandate include opening the electricity retail market for competition, compensation to consumers for losses incurred during outages, open access in power distribution infrastructure as well as designating an appropriate system operator to facilitate competition.

The Commission remains focused on its mandate, in particular on the role it plays in protecting consumers of energy products and services, and in maintaining a competitive business environment. In this regard, the Commission appreciates the support it has received from both the national and county governments, the energy sector players and from all Kenyans in general.

Finally, I take this opportunity to commend the Commission's staff, Management and my fellow Commissioners for the conclusion of yet another successful year and for executing our mandate with vigour and distinction.



Joshua Oigara
CHAIRPERSON

V. REPORT OF THE DIRECTOR GENERAL

The significant developments and the rapid economic growth in the country have seen an increase in energy demand and consumption. Accordingly, a rigorous planning process is necessary for an efficient and effective sector. However, being the entity that coordinates this process, the Commission is persuaded that the proposed energy infrastructure and development strategy is robust and adequate to meet the requirements of Vision 2030. This includes the commissioned Kisumu Oil Jetty that has the potential to cut down on the transportation costs of petroleum products to neighbouring countries. On this account, the Kenyan petroleum sector is expected to be most competitive in the region. We believe the future of the sector is bright.

At the same time, the Commission has been involved in the expansion plans of the electricity subsector through approval of power purchase agreements under the project 5000MW+. This is to boost expected demand surge from Vision 2030 projects and the impact of devolution to the 47 counties. Under project 5000MW+, the Commission had committed to review Power Purchase Agreements (PPA) in 30 days. This is a significant reduction from the statutory 90 days stipulated in the Energy Act. This enables investors to save time and, of course, money in the project preparatory phase.

The Commission has continued to diligently involve all stakeholders in the development of regulations, which has seen the sector regulated in fair, transparent and predictable manner, especially in the renewable energy sector. During the year the Energy (Solar Water Heating) Regulations, 2012 were effected, a significant step meant to encourage a green economy, towards sustainable development. The Commission endeavours to work with all stakeholders to streamline the industry activities.

During the year, the Commission developed a new Strategic Plan for the period 2017/18-2021/22. The Strategic plan among other things focusses on enhancing the contribution of clean and renewable energy sources in the Kenya's overall energy mix, strengthening institutional capability and setting up regional offices to enhance service delivery.

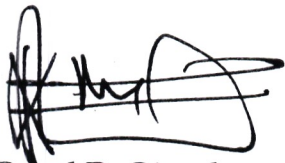
In the year under review, the Commission collected KES.484 million from the Petroleum Levy compared to KES.473 million the previous year, an increase of 2%. On the other hand, the Electricity Levy increased by 3% from KES.233 million in 2015/16 to KES.240 million in 2016/17.

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Government transfers remained within the same level at KES.52 million in 2016/17 as compared to KES 51M in 2015/16. In total, revenue went up by 2% from KES.757 Million in 2015/16 to KES.777 Million in 2016/17. The total recurrent expenditure increased by 21% from KES.687 million in 2015/16 to KES.830 million in 2016/17.

The Commission's total asset base decreased by 7% from KES. 426 million in the previous period to KES.394 million in 2016/17. Non-current assets decreased by 39% to KES.106 million from KES176million. Current assets went up by 15% to KES.287 million from KES.250 million.

Current liabilities increased marginally by 1% to KES145 million up from KES.144 million in the 2016/17 financial year. Further, total equity decreased by 12% from KES.282 million to KES.249 million in 2016/17.



Mr. Pavel R. Oimeke
DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

The Commissioners acknowledge the need to conduct the business and operations of ERC with integrity and in accordance with generally accepted corporate practice and internationally developed principles of corporate governance. The Commissioners recognize corporate governance as an essential element towards achieving ERC's regulatory mandate provided in the Energy Act 2006. The Commissioners 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 ERC;
- Ensure fair staff remuneration and promotion;
- Promotion of legitimate interests of all stakeholders;
- Ensure that the organization acts as a good corporate citizen.

The Commissioners will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in ERC operations.

Commissioners

Commission Composition, Appointment and Size

The Commission as provided under section 10 of the Energy Act, 2006 consist of the Chairperson, the Principal Secretary in the Ministry of Energy and Petroleum or his representative, the Director General and five other commissioners who represent the private sector. The Chairperson and the other Commissioners are appointed by the President and the Cabinet Secretary respectively. The Chairperson (Mr. Joshua Oigara) is Non-Executive. The Chairperson term is four year and that of the other commissioners is three years and the respective terms are renewable once for the same duration. The Director General is the chief executive of the Commission 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 Commission with no voting rights at the Commission meetings. All the commissioners have executed the *Mwongozo* code of governance.

The Commission Secretary is appointed by the Commission to handle the Commission's secretarial duties.

The Commission is well composed in terms of diversity in skills, knowledge business and administrative experience acquired from both private and public sectors that is essential in the effective management of ERC. The appointment of the Commission members can be terminated in accordance with the provisions of section 11 of the Energy Act, 2006 or through voluntary resignation.

Independence and Separation of Roles and Responsibilities

The Commission members exercise independent judgment in discharging their duties. The Commission sets the strategic plan of the organization, oversees implementation of policies, evaluates the performance and reports to the stakeholders. The Chairperson of the Commission is primarily responsible for the activities of the Commission and its committees. The Chairperson in consultation with the Director General sets the agenda for Commission meetings, chairs the meetings and ensure effective communication to stakeholders. The Chairperson acts as the spokesperson for the Commission and is the principal contact for the Director General.

The Director-General who is the Chief Executive of the Commission, is responsible for the day-to-day management of the Commission subject to Commission's direction.

In discharging their obligation, the Commissioners rely on the honesty and integrity of the ERC's management, staff and its external professional advisors and auditors.

Board Responsibilities

The Commission's responsibility is to promote the long-term success of the organization. The Commission provides leadership, strategic direction and exercise effective control of ERC. The Commission assumes collective responsibilities though their duties are discharged through the Commission or its committees.

The Commission is charged with the following responsibilities among others:

- Determination of ERC's mission, vision, purpose and core values;
- Review and approval of the organization's long-term plans;
- Review and approval of the annual budget and financial forecasts;
- Ensuring that the procurement process is cost-effective and delivers value for money;
- Ensuring effective and accurate information flow to stakeholders;
- Ensuring that effective processes and systems of risk management and internal controls are in place;

- Review and approval of the overall organizational structure and succession plans;
- Review, evaluate and approve the remuneration structure of the organization;
- Protection of the rights of shareholders and optimization of shareholders' value;
- Monitoring compliance with the Constitution and all applicable laws, regulations and standards;

Commission and Committee Meetings

The Energy Act 2006 provides that Commission 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 Commissioners and set out in the Commission Work Plan. Notices of the location and the timing of meetings are issued seven days prior to the meetings. The Commission Work Plan is adjusted when deemed necessary by the Commission.

The Committees conduct their business within the rules and procedures adhered by the Commission. The matters deliberated by the Committees are consequently presented to the Commission by the respective chairman during the next Commission meeting for adoption. The committees are designed to ensure the Commission runs efficiently and effectively and in a manner that embraces corporate governance. The Committees enable the Commission to effectively discharge its responsibility by delving into issues that require greater attention than would be possible during regular Commission meetings. The Commission has three Committees; Technical, Finance and Administration and Audit.

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. During the year the Committee members were; Eng. Eric Nyamunga, Eng. Ndonga Gitahi, Dr. Sellah Kebenei and Eng. Joseph Ng'ang'a/Mr. Robert Pavel Oimeke.

Technical Committee

The Technical Committee's responsibilities are to provide technical and strategic direction to ERC and approve technical plans, activities, reports and budgets. During the year the Committee members were Dr. Sellah Kebenei,

Eng. Samuel Mugo, Eng. Ndonga Gitahi, Eng. Eric Nyamunga and Eng. Joseph Ng'ang'a/Mr. Robert Pavel Oimeke.

Audit and Risk Committee

The responsibilities of the Audit and Risk Committee are to; review the financial information of the Commission, 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 Commission. During the year the Committee the members were; Eng. Samuel Mugo, Mr. Mwangi Njenga and Mr. Lenaiyara Nixon.

The attendance of meetings during the year is as summarized below:



ENERGY REGULATORY COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Number of Scheduled Meetings and attendance

COMMISSION COMMITTEE MEMBERSHIP AND NUMBER OF MEETINGS - FY 2016/17									
Commissioner	Classification	Designation	Commission Meeting Total No. of Meetings (13)	Finance & Administration Committee - Total No. of Meetings (11)	Technical Committee - Total No. of Meetings (9)	Audit & Risk Committee - Total No. of Meetings (4)	Pension Board Meetings (6)		
1	Mr. Joshua Oigara	Independent	Commission Chairman	13/13					
2	Mr. Njenga Mwangi	Independent	Committee Chairman	10/13	7/11			5/6	
3	Eng. Samuel Manguo	Independent	Member	11/13	7/11	7/9	1/4		
4	Eng. Titus Gitahi	Alternate to PS	Member	12/13	11/11	8/9			
5	Eng. Eric Nyamunga	Independent	Committee Chairman	12/13	5/11	9/9	3/4		
6	Eng. Nixon Lenaiyara	Independent	Committee Chairman	8/13		3/9	4/4	2/6	
7	Dr. Sellah Kebenei	Independent	Member	13/13	4/11	4/9	3/4	3/6	
8	Mr. Robert Pavel Oimeke	Ag. Director General	Member	5/13	7/11	3/9		3/6	

*The Commission has established a Staff Pension Scheme for its employees and in accordance with the law, some commissioners are appointed as Trustees of the scheme to represent the sponsor.

Commission Charter and Work Plan

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

Directors Induction and Skills Development

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

The Commission conducts an annual evaluation to appraise its performance. This evaluation is carried out in accordance with the Evaluation Tool. The Commission evaluation provides an opportunity for Commissioners to identify strengths, collective skill gaps and individual areas of improvement. The Commission also reviews the performance of each committee against the set Terms of Reference. In December, 2016 the Commission, under the guidance of a representative of the SCAC undertook the performance evaluation for 2015/2016.

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 Commission under the guidance of a representative of the State Corporation Advisory Committee (SCAC) conducted Commission performance evaluation for 2015/16 Financial Year.

The Evaluation was undertaken at three levels:

1. Peer Review
2. Self-evaluation
3. Board evaluation

The results were analysed and a mean score rate for each of the levels determined. From the analysis, the Board performance was determined at mean score of 4.097 or 81.93%. Through this exercise, the Commission identified areas of strength and weaknesses and the Commission is committed to address areas of challenges that were identified.

Remuneration of the Commission

The remuneration of the Chairperson and the other commissioners is determined by the State Corporation Advisory Committee (SCAC) as provided in the State Corporations Act. The commissioners are paid taxable sitting allowance. The Chairperson is paid a monthly fee and honoraria and the Commissioners are paid monthly fee. The Commissioners are entitled to daily subsistence allowances while attending official duties. The Commissioners are reimbursed their transport expenses at the prevailing AA rates. The Commissioners are also provided with outpatient and inpatient medical and personal accident covers.

Ethical Leadership and Corporate Citizenship

The Commissioners are required to act in the best interest of ERC 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 ERC over other interests. The Commissioners on appointment are sensitized on the requirements of the *Mwongozo* Code of Governance and have expressly committed to adhere to it.

Both the Commissioners and employees of the Commission are expected to act honestly and in good faith so as to create a culture built on principles of integrity, accountability and transparency. ERC has developed a Code of Conduct and Ethics to guide the Commissioners and the employees when undertaking their duties. All the Commissioners and employees sign a declaration of interest form indicating they will disclose any interest that may conflict with the interest of the organization. The Commissioners declare their interest at every Commission or Committee meeting. The commissioners 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.

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 Commissioners are appointed at different times so that the respective expiry dates of their terms of office falls at different times.

Compliance with the Law

The Commission conducts its business affairs in compliance with all applicable laws, regulations, policies and accepted national and international standards. The Commission is in compliant with the Constitution, the Energy Act 2006, Leadership and integrity Act, 2012; Public Officers Ethics Act, 2003, Public Procurement and Assets Disposals Act, 2015, Public Finance Management Act, 2012, Employment Act among other legislation. The Commission complies with the requirements of Mwongozo Code of Governance and it has developed a Commission Charter is based on the Mwongozo principles of good governance.

The Commission is a party to the following court cases with high contingency:

The Civil Appeal No. 341 of 2017, Energy Regulatory Commission -vs- SGS Kenya Limited and 2 Others. The Commission had advertised a tender for provision of marking and monitoring of petroleum products under Tender Number ERC/PROC/4/3/16-17/119. SGS was one of the bidders and being dissatisfied with the evaluation process of the tender it instituted, the Public Procurement Administrative Review Board (PPOA) Application No. 64 of 2017, SGS Kenya Limited -vs- ERC. The PPOA ruled in favour of the Commission and SGS appealed the Board's decision at the High Court, Judicial Review Miscellaneous Application No. 496 of 2017. The appeal at the High Court was determined in favour of SGS and the Commission being dissatisfied with the decision of the High Court lodged the subject appeal case. The matter is pending determination in the Court of Appeal.

The High Court of Kenya Petition No. 279 of 2017: Council of County Governors -vs- ERC and 7 Others. This matter was instituted by the Council of County Governors (CCG) challenging the constitutionality of the functions and powers of the Energy Regulatory Commission as provided for by the

Energy Act 2006. The CCG seeks to have some of the mandate vested on the Commission under the Energy Act 2006 transferred to Counties. The other parties enjoined 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 CCG alleges that the statutory laws establishing these government entities are unconstitutional. The Commission has filed its response and the matter is pending hearing.

William Abok vs Energy Regulatory Commission, Nairobi High Court Petition No. 549 of 2014. The matter was instituted by the Petitioner, William Abok and seeks to nullify the existence of Energy {Liquefied Petroleum Gas (LPG)} Regulations 2009. These regulations establish the LPG Exchange Pool which the Petitioner wants disbanded as he alleges that the same is unconstitutional. The LPG Pool provides a platform to enable exchangeability of LPG cylinders among the dealers. The Commission has since filed its response and though the matter was filed in the year 2014 it is still awaiting determination in court.

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 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 ERC's annual financial statements and

The safeguarding of ERC assets

Responsibility for the integrity, reliability and objectivity of the ERC's financial statements lies with the Commissioners. External auditors are responsible for independently examining and expressing an opinion on the reasonableness of the financial statements based on their audit.

Statement of Risk Management and Internal Control

The Commission has recognised its responsibility to manage both internal and external risks as a key component of good corporate governance and is committed to embedding risk management into the daily operations of the Commission; from the setting of objectives, to financial planning towards

achieving the set objectives, through to departmental processes established to aid provision of service by the Commission. It is believed that effective risk management will help the Commission to achieve its corporate objectives and provide better services. The Commission has developed and is implementing an Institutional Risk Management Policy Framework (IRMFP)

Responsibility

Risk management is one of the most important activities of the Commission. The Commission through the Audit and Risk Committee has a responsibility for overseeing risk management within ERC by ensuring that appropriate risk management strategies and policies are in place, and that processes established are adequate and effective. The Commission defines ERC's overall level of risk tolerance and ensures that there are adequate tools and resources for managing risks. The Commission has assigned responsibility for risk management to the Director General; hence management ensures that sound risk management processes are implemented and functioning effectively. The costs and resources employed in risk management are proportional to obtainable benefits.

Internal Controls

Internal controls are designed to support the Commission in achieving its objectives. The risks related to the achievement of objectives need to be identified and evaluated in order to manage them. Thus, identification and assessment of risks is a prerequisite for internal control in ERC. The continuity of operations is ensured by safeguarding critical functions and essential resources. proportional to obtainable benefits.

Environmental and Social Sustainability Statement

Section 5(g) of the Energy Act No. 12 of 2006 mandates the Commission to prepare Indicative National Energy Plans. In an effort to plan for the country's sustainable energy needs, several measures have been put in place to enhance promotion and development of renewable energy as an alternative source of energy.

The Commission also continuously explores ways to reduce tariffs in order to lower the cost of living, while ensuring the tariffs remain attractive to investors. Kenya's energy sector is attracting investment from both domestic and foreign sources. There has been significant progress in laying a solid foundation for competition in the electricity supply industry. This is meant to attract investors who will set the stage for competition in the market and in turn lower prices.

The Commission has continued to diligently involve all stakeholders in the development of regulations, which has seen the sector regulated in a fair, transparent, predictable and sustainable manner.

A combination of drought, food related inflation and anxiety related to the 2017 general elections led to a significant slowdown in the expected economic growth. This also reflected in the Commissions operations. In the previous year, the country faced challenges largely arising from the prolonged dry season. This led to poor hydrology during the period and consequently, a marginal decline in hydrogenation. However, the Commission remains focused on its mandate, in particular on the role it plays in protecting consumers of energy products and services, and in maintaining a competitive business environment to enable creation of better industries, growth of the economy and jobs creation. This includes a recent review of the Mission Statement to read, *“To facilitate access to sustainable energy for ALL through leading regulatory practices”*.

The Commission’s Procurement Policy is aligned to the Public Procurement and Asset Disposal Act 2015. It incorporates supplier relationship management based on contractual terms and supplier performance management framework.

The policy outlines the basis of supplier engagement as competitive invitation and selection, based on pre-determined criteria incorporated in tender documents. This ensures transparency and fairness in selection of successful suppliers. During the year, Commission employees were sensitized on the PPAD Act 2015.

The Commission has an environmental policy which is reviewed annually to meet the needs of customers and consumers in an environmentally sound and sustainable manner through compliance with applicable Environmental legislation and solid measures to ensure optimal energy utilization.

The Commission appreciates the significance of creating a conducive and safe working environment. In its Safety Policy, the Commission commits to taking all reasonable steps to eliminate and control hazards, preserve health and prevent injury of its employees and stakeholders. Further, the Commission pledges to comply with the Occupational Safety and Health laws and regulations, sensitize employees in Health and Safety Standards, and provide adequate resources for the implementation of the policy. During the year, the Commission conducted trainings for the Health and Safety Committee, Fire and First Aid Trainings respectively. The Commission complied with the

Environmental Management and Coordination Act (EMCA) and submitted 2016/17 Environmental Sustainability Audit Report in compliance with EMCA-1999. The Commission also submitted its quarterly reports to NEMA on implementation of recommendations. In addition, the Commission engaged with the NEMA in reviews of Environmental Assessment Reports in the Energy Sector and recommendations forwarded with a view of enhancing ease of doing business in energy projects. As part of Environmental Monitoring Programmes, the following activities were undertaken:

- (a) Safety and Health committee members were appointed and trained
- (b) The Commission implemented the 3R principal for waste management in its business processes
- (c) Resource use is minimized through consumption management programs.

The Commission has a Human Resource Policies and Procedure Manual that outlines how employee wellness is handled. The manual outlines a recruitment and promotions procedure, including the principles of affirmative action, gender and persons living with disability.

To ensure continuous upgrading of core competencies, knowledge, skills and attitudes of employees, the Commission offers both classroom and online training opportunities to improve performance and personal development. The policy on training includes the ability to assimilate technology, enable creation and seizing of opportunities for career growth, social advancement, economic growth and development. The Commission continues to monitor the online Performance Management system to ensure the organization objectives are achieved by all employees.

The Commission is committed to stakeholder engagement and its role in attaining corporate objectives. During the year, the Commission continued with its aggressive stakeholder management campaign with a view to addressing stakeholder concerns and galvanizing their support for business sustainability. It continued to engage with investors, county governments, regulators, customers and suppliers. Through these efforts, the Commission continued to benefit from heightened stakeholders' confidence in the services the Commission offers.

On Community engagement, ERC defines its Corporate Social Responsibility as the sense of responsibility towards environmental stewardship and contribution towards a better community internally and externally. The Commission has been at the forefront in supporting several CSR initiatives in the community and successfully coordinated these CSR events and gained media coverage.

VIII. REPORT OF THE COMMISSIONERS

The Commissioners submit their report together with the audited financial statements for the year ended June 30, 2017, which show the state of the *Commission's* affairs.

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 of the Commission for the year ended June 30, 2017 are set out on page 1 .

Commissioners

The members of the Board of Commissioners who served during the year are shown on page iv. The Commissioners are appointed in line with *Section 10 of the Energy Act 2006*.

Auditors

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

By Order of the Commission


Mueni Mutung'a
Commission Secretary
NAIROBI
Date:

IX. STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

Section 81 of the Public Finance Management (PFM) Act, 2012, section 21 of the Energy Act 2006 and section 14 of the State Corporations Act, require the Commissioners to prepare financial statements in respect of that *Commission*, which give a true and fair view of the state of affairs of the *Commission* at the end of the financial year/period and the operating results of the *Commission* for that year/period. The Commissioners are also required to ensure that the *Commission* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Commission*. The Commissioners are also responsible for safeguarding the assets of the *Commission*.


The Commissioners are responsible for the preparation and presentation of the *Commission's* financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year (period) ended on June 30, 2017. 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 Commission; (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 *Commission*; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Commissioners accept responsibility for the *Commission's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Commissioners are of the opinion that the *Commission's* financial statements give a true and fair view of the state of *Commission's* transactions during the financial year ended June 30, 2017, and of the *Commission's* financial position as at that date. The Commissioners further confirm the completeness of the accounting records maintained for the *Commission*, which have been relied upon in the preparation of the *Commission's* financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

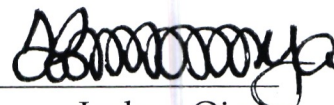
The Commission's financial statements were approved by the Commission on _____ 2017 and signed on its behalf by:



James M. Kilonzo
Head of Finance & IT



Pavel R. Oimeke
Director General



Joshua Oigara
Chairperson

X. REPORT OF THE INDEPENDENT AUDITORS ON THE ENERGY REGULATORY COMMISSION

We have audited the accompanying (consolidated) financial statements of the *Energy Regulatory Commission* for the year ended June 30, 2017, which comprise: (i) a statement of financial performance; (ii) a statement of financial position; (iii) a statement of changes in net assets; (iv) a statement of cash flows; (v) a statement of comparison of budget and actual amounts and (v) a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Energy Regulatory Commission's Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit 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 disclosures in the financial statements. The procedures selected depend on the auditors' 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 *Commission'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 management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as at June 30, 2017, and its financial performance as well as cash flows for the year then ended in

ENERGY REGULATORY COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

accordance with International Public Sector Accounting Standards (IPSAS), the Requirements of the PFM Act 2012 and Article 229 of the Constitution of Kenya.

Auditor General

Date

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON ENERGY REGULATORY COMMISSION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Energy Regulatory Commission set out on pages 1 to 33, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Energy Regulatory Commission as at 30 June 2017, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Energy Act, 2006.

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

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Energy Regulatory Commission in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Report of the Auditor-General on the Financial Statements of Energy Regulatory Commission for the year ended 30 June 2017

Responsibilities of Management and those Charged with Governance for the Financial Statements

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 such internal control as management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission's ability to continue sustaining its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless management is aware of existence of intention to terminate the Commission, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Commission's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

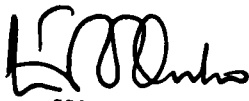
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures which are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Commission's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Commission's ability to sustain services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease sustaining services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities to express an opinion on the financial statements.

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

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



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

Nairobi

11 June 2018

ENERGY REGULATORY COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Statement of Financial Performance

For the year ended 30th June 2017

		2016-2017 KES	2015-2016 KES
Revenue from non-exchange transactions	Note		
Electricity Levy	6	240,485,828	233,067,172
Petroleum Levy	7	484,246,340	472,636,427
Transfers from government entities	8	52,270,371	50,909,630
		<u>777,002,539</u>	<u>756,613,230</u>
Revenue from exchange transactions			
Finance income - external investments	9	7,338,231	13,118,763
Other income	10	12,593,374	
		<u>19,931,605</u>	<u>13,118,763</u>
Total Revenue		<u>796,934,143</u>	<u>769,731,993</u>
Expenses			
Commission Costs	11	28,235,518	22,124,438
Employee Costs	12	311,612,679	275,372,140
Training and other personnel costs	13	115,499,001	73,687,998
Office supplies	14	14,023,929	12,512,893
Transport and travel	15	53,167,112	49,134,324
Public relations and consumer services	16	82,692,916	66,280,097
Utilities	17	3,989,775	3,144,858
Information & communication technology	18	11,988,524	13,328,720
Office rent and office services	19	49,663,657	47,747,352
Consultancy & other professional services	20	123,540,872	92,702,892
HIV/ AIDS prevention	21	2,304,654	2,929,506
Depreciation	29	26,819,511	24,804,254
Amortization	31	4,644,167	1,543,145
Contingency and other expenses	22	2,000,000	2,000,000
Total expenses		<u>830,182,316</u>	<u>687,312,616</u>
Deficit from operating activities		<u>(33,248,173)</u>	<u>82,419,376</u>
Other Gains/Losses			
Gain on disposal	23	43,610	163,729
Deficit before provision		<u>(33,204,562)</u>	<u>82,583,106</u>
Provision of 90% (surplus) Deficit funds to National Treasury	24	0	(18,337,656)
Deficit for the period		<u>(33,204,562)</u>	<u>64,245,450</u>

The notes set out on pages 6 to 24 form an integral part of the Financial Statements

ENERGY REGULATORY COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Statement of Financial Position
As at 30th June, 2017

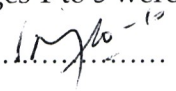
ASSETS	Note	2016-2017	2015-2016
		KES	KES
Current assets			
Cash & cash equivalents	25	185,153,872	182,324,948
Receivables from exchange transactions	26	15,459,125	17,046,878
Receivables from non-exchange transactions	27	84,774,468	51,114,188
Inventory - Stores	28	2,355,634	-
		287,743,099	250,486,014
Non-current assets			
Property, plant and equipment	29	89,919,687	109,073,758
Investments	30		57,843,425
Intangible assets	31	16,829,733	9,025,779
		106,749,419	175,942,961
Total Assets		394,492,518	426,428,975
LIABILITIES			
Current Liabilities			
Trade & other payables from exchange transaction	32	122,245,205	106,646,858
Provisions	33	8,305,289	26,827,095
Employee benefits obligation	34	14,839,581	10,648,018
		145,390,075	144,121,971
Total Liabilities		145,390,075	144,121,971
Net Assets			
Reserves (Sinking Fund)		55,000,000	55,000,000
Accumulated Surplus		194,102,443	227,307,004
Total net assets		249,102,443	282,307,004
Total net assets and liabilities		394,492,518	426,428,975

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Commission by



Director General
Pavel R. Oimeke

Date 8/6/18



Head of Finance & ICT
James M. Kilonzo
ICPAK Member Number: 2673

Date 8/6/18



Chairperson
Joshua Oigara

Date 8/6/18

ENERGY REGULATORY COMMISSION
FINANCIAL STATEMENT FOR THE YEAR 2016/2017

Statement of Changes in Net Assets
For the year ended 30th June, 2017

	Reserves (Sinking Fund) KES	Accumulated Surplus KES	Total Reserves KES
Balance as at 1 st July, 2015	55,000,000	163,061,554	218,061,554
Net surplus/loss for the period	-	82,583,106	82,583,106
Surplus to Exchequer	-	(18,337,656)	(18,337,656)
Balance as at 30th June, 2016	55,000,000	227,307,004	282,307,004
Balance as at 1 st July, 2016	55,000,000	227,307,004	282,307,004
Net surplus/loss for the period		(33,204,562)	(33,204,562)
Balance as at 30 June, 2017	55,000,000	194,102,443	249,102,443

ENERGY REGULATORY COMMISSION
FINANCIAL STATEMENT FOR THE YEAR 2016/2017

Statement of Cash Flow
As at 30th June 2017

		2016-2017 Ksh	2015-2016 Ksh
Receipts	Notes		
Levy		657,849,483	661,402,940
Transfers from government entities		20,250,000	46,009,600
Other Miscellaneous Receipts		376,146	50,807
Total Receipts		678,475,629	707,463,347
Payments			
Commissioners expenses		28,180,111	21,674,666
Employee Costs		276,550,572	272,312,270
Training and other personnel costs		87,127,040	72,757,905
Office supplies and expenses		13,549,348	11,659,061
Transport and travel		48,777,772	48,446,540
Public relations and consumer services		75,446,512	57,956,993
Utilities		3,989,775	2,700,638
Information and communication technology expenses		11,766,854	10,698,420
Office rent and office services		39,789,737	35,417,657
Consultancy and other professional services		68,078,648	72,217,517
HIV/ AIDS prevention related expenses		2,304,654	2,929,506
Provisions		4,996,173	16,194,564
		660,557,196	624,965,737
Net cash flow from operating activities	35	17,918,433	82,497,610
Investing activities:			
Purchase of fixed assets		(22,136,821)	(62,207,933)
Proceeds of Sale of fixed assets		103,833	248,596
Interest received		6,943,480	13,118,763
Net cash outflow from investing activities		(15,089,508)	(48,840,574)
Net increase / (decrease) in cash and cash equivalents		2,828,925	33,657,036
Cash & cash equivalents at 1st July	24	182,324,947	148,667,911
Cash & cash equivalents at 30th June	24	185,153,872	182,324,947
Represented by:			
Short term deposits		0	30,000,000
Bank balances	21	61,773,457	29,739,375
Petty cash		16,885	100,000
Mortgage & Car Loan		123,363,530	122,485,572
Total		185,153,872	182,324,947

ENERGY REGULATORY COMMISSION
ANNUAL REPORT & FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2017

**Statement of Comparison of Budget and Actual Amount:
For the Period ended 30th June, 2017**

	Original Budget 2016-2017 KES	Adjustments 2016-2017 KES	Final Budget 2016-2017 KES	Actual on Comparable Basis 2016-2017 KES	Performance Difference 2016-2017 KES
Revenue					
ERB Levy	253,718,747	-	253,718,747	240,485,828	13,232,919
Petroleum Levy	507,285,928	7,887,777	515,173,705	484,246,340	30,927,365
Transfers from other government entities	57,700,000	(2,711,260)	54,988,740	52,270,371	2,718,369
Other operating revenue	10,300,000	(3,000,000)	7,300,000	19,931,605	(12,631,605)
Total revenue	829,004,675		831,181,192	796,934,143	34,247,049
Expenses					
Board expenses	22,224,000	3,500,000	25,724,000	28,235,518	(2,511,518)
Personnel emoluments	318,226,680	0	318,226,680	311,612,679	6,614,001
Training and other personnel costs	91,199,768	31,720,460	122,920,228	115,499,001	7,421,227
Office supplies and expenses	19,293,309	(1,500,000)	17,793,309	14,023,929	3,769,380
Transport and travel	47,646,000	800,000	48,446,000	53,167,112	(4,721,112)
Public relations and consumer services	76,270,000	0	76,270,000	82,692,916	(6,422,916)
Utilities	3,738,000	1,500,000	5,238,000	3,989,775	1,248,225
Information and comm. Tech. expenses	12,606,787	(1,500,000)	11,106,787	11,988,524	(881,737)
Office rent and office services	52,655,474	1,000,000	51,655,474	49,663,657	1,991,817
Consultancy & other professional services	121,886,000		121,886,000	123,540,872	(1,654,872)
HIV/AIDS prevention related expenses	4,000,000	-	4,000,000	2,304,654	1,695,346
Depreciation / Amortization	34,850,000	-	34,850,000	31,463,678	3,386,322
KEEP	2,000,000	-	2,000,000	2,000,000	
Total expenses	806,596,018		840,116,478	830,182,315	9,934,163
Deficit from operating expenses	22,408,657		(8,935,286)	(33,248,172)	



Statement of Comparison of Budget and Actual Amounts (Continued)

Notes on the significant variances

- (a) The Electricity levy realised to date is below the budget by KES 13M, translating to 95% collection
- (b) The Petroleum levy realised to date is below the budget by KES 31M, translating to a 94% collection
- (c) Transfers from Government are below budget by KES2.7M. This was the training (WB Support) that was occasioned late in the year.
- (d) Other income is slightly above budget by KES 12.63M as a result of slightly higher revenue realised from sale of surplus stores and writing off of liabilities in accordance with IPSAS 19.
- (e) Expenditure on Commission Expenses is above the budget by KES2.5M. This is however within the 10% permissible range.
- (f) Expenditure on Personnel Emoluments is below the budget by KES6.6M due to late approval of staff establishment.
- (g) Expenditure on training and other personnel costs is below the budget by KES7.4M due to lower staff numbers than anticipated.
- (h) Expenditure on office supplies and expenses is below the budget by KES3.7M due to deliberate cost saving measures instituted by management.
- (i) Expenditure on transport and travel is above the budget by KES4.7M. This is however within the 10% permissible range.
- (j) Expenditure on public relations and consumer services is above the budget by KES6.4M. This is however within the 10% permissible range.
- (k) Expenditure on utilities is below the budget by KES1.2M due to lower staff numbers and deliberate cost saving measures instituted by management.

ENERGY REGULATORY COMMISSION
FINANCIAL STATEMENT FOR THE YEAR 2016/2017

- (l) Expenditure on information and communication technology is above the budget by KES0.89M. This is however within the 10% permissible range.
- (m) Expenditure on office rent and office services is below the budget by KES2M.
- (n) Expenditure on consultancy and other professional services is above the budget by KES1.7M. This is however within the 10% permissible range
- (o) Expenditure on HIV/ AIDS prevention related expenses is below the budget by KES1.7M.
- (p) Depreciation is below the budget by KES3.4M. Some assets were delivered late in the 4th Quarter thus not attracting full depreciation.
- (q) No variance.

XI. NOTES TO THE FINANCIAL STATEMENTS

1. General 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. ERC is an independent entity fully owned by the Government of Kenya and is domiciled in Kenya. Its functions include tariff setting and review, licensing, enforcement, dispute settlement and approval of power purchase and network services contracts.

2. Statement of compliance and basis of preparation

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

The Commission adopted IPSAS in the year 2014 following the gazette of the Public Sector Accounting Standards Board (PSASB), which was established by the Public Financial Management Act (PFM) No. 18 of 24th July 2012. PSASB issued financial reporting standards and guidelines to be adopted by all state organs and public sector entities, which the Commission complies with.

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

The accounts are presented in Kenya Shillings (KES) which is the functional and reporting currency of the Commission and all values are rounded to the nearest shilling.

3. Adoption of New and Revised Standards

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	ERC adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply.
IPSAS 34: Separate	ERC does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply

Standard	Impact
Financial Statements	
IPSAS 35: Consolidated Financial Statements	ERC does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply
IPSAS 36: Investments in Associates and Joint Ventures	ERC does not have investments in associates or joint ventures and therefore the standard does not apply.
IPSAS 37: Joint Arrangements	ERC does not have an interest in a joint arrangement and therefore the standard does not apply.
IPSAS 38: Disclosure of Interests in Other Entities	ERC does not have interests in other entities and therefore the standard does not apply.

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 ERC provides retirement benefits to its employees under a defined contribution plan and therefore the standard does not apply.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: ERC does not anticipate any combinations; through exchange or non- exchange transactions and therefore the standard does not apply.

iii. **Early adoption of standards**

ERC did not early - adopt any new or amended standards in year 2017.

4. Summary of significant accounting policies

a) **Revenue recognition**

i) **Revenue from non-exchange transactions**

Electricity and Petroleum Levies

The Commission recognizes revenues from Electricity and Petroleum levies when the event occurs and the asset recognition criteria are met.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Commission and the fair value of the asset can be measured reliably.

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 Commission and can be measured reliably.

ii) Revenue from exchange transactions

Miscellaneous Revenue

Miscellaneous revenue from exchange transactions comprise of sale of stores, tenders and surplus goods.

Interest income

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

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Commission. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or Commission differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) 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 Public Financial Management Act No. 18 of 2012 Regulation 219 (2) that states that a regulatory authority established by an Act of Parliament and referred to under regulation 211 (4) shall remit into Consolidated Fund, ninety percent of its surplus funds reported in the audited financial

statements after the end of each financial year. Regulation 219 (3) further states that “a regulatory authority to which this section applies shall be exempt from the income tax”.

The surplus funds are net of capital investments acquired in the year and sinking fund established within the year.

d) 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 properties are measured using the cost model and are depreciated over a 30-year period.

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. Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Commission recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the cost of the fixed asset assets on straight line basis, at annual rate 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 and Fittings 12.5%
- Computer Equipment 30%
- Other Equipment 12.5%

f) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Commission. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The amortization rates used are as follows;

- Intangible Assets 30%

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Research and development costs

The Commission expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Commission can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses.

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

Financial assets and financial liabilities are recognised on the Commission's statement of financial position when the Commission has become party to the contractual provisions of the instrument. Specific accounting policies adopted by the Commission for its financial instruments outstanding at year end are set out as follows:

Government securities

Government securities comprise treasury bonds which debt securities are issued by the Government of Kenya. Government securities are classified as held to maturity and are stated at amortised cost.

Short term deposits

Short term deposits are classified as held to maturity and are stated at amortised cost.

Trade receivables

Trade receivables are carried at anticipated realised value. An estimate is made for bad and doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps taken to recover them have failed.

Trade payables

Trade payables are not interest bearing and are stated at their fair value

j) Provisions

Provisions are recognized when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

k) Contingent liabilities

The Commission does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There are no contingent liabilities at the moment.

l) Contingent assets

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

m) Nature and purpose of reserves

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

Accumulated Surplus

The Commission's capitals consist of the Accumulated reserves. 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.

Sinking Fund Reserves

The sinking Fund reserve is money, which the Commission set aside over time in order to renew depreciating assets.

n) Changes in accounting policies and estimates

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

o) Employee benefits

Retirement benefit plans

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

p) 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.

q) Related parties

The Commission regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Commission. Members of key management are regarded as related parties and comprise Commission Members and senior managers (see further disclosures of related parties in note 29).

The Government (represented by Ministry of Energy and Petroleum) is also regarded as a related party. The Permanent Secretary in the Ministry or his representative is a member of the commission. The commission also receives some funding from the Government.

r) 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. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

5. Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions

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

Useful lives and residual values

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

- The condition of the asset based on the assessment of experts employed by the Commission

- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 32. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Subsequent events

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended June 30, 2017.

ENERGY REGULATORY COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	2016-2017 KES	2015-2016 KES
6 Electricity Levy:		
Electricity Levy from Kenya Power (Legal Notice No. 148 of 1999)	240,485,828	233,067,172
7 Petroleum Levy:		
Petroleum Levy	484,246,340	472,636,427
8 Transfers from Government:		
Grant	20,250,000	46,009,600
Capacity Building - World Bank	32,020,371	4,900,030
	<u>52,270,371</u>	<u>50,909,630</u>
9 Finance Income - External Investments		
Interest on investments	6,962,085	13,067,956
Miscellaneous Revenue	376,146	50,807
	<u>7,338,231</u>	<u>13,118,763</u>
10 Other Income	<u>12,593,374</u>	-
	<u>12,593,374</u>	-
This relates to the extinguishing of accruals that had been cleared.		
11 Commission Expenses:		
Monthly fees/Honorarium	5,160,000	4,579,596
Sitting Allowance-Commission Members	7,620,000	7,546,000
Seminars, Travel and Accommodation	14,501,054	8,766,548
Medical and GPA	426,103	247,044
Meeting, Entertainment and Others	528,361	985,250
	<u>28,235,518</u>	<u>22,124,438</u>
12 Employee Costs:		
Salaries	193,177,536	180,148,476
House Allowance	42,823,097	41,859,731
Car/Commuting Allowance	15,011,108	14,643,364
Pension and Gratuity	52,646,342	32,300,952
Special Duty/ Acting Allowance	1,708,700	684,303
Leave and Other Allowances	5,364,772	5,245,035
Fringe Benefits	881,125	490,278
	<u>311,612,679</u>	<u>275,372,140</u>

ENERGY REGULATORY COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

13 Training and other Personnel Costs:		
Medical	17,505,438	17,256,707
Life and Accident Insurance	6,711,338	4,046,264
Training and Capacity Building-ERC funded	58,753,086	43,698,103
Training and Capacity Building -World Bank funded	26,909,472	4,900,030
Subscriptions-club and professional associations	3,382,050	2,697,279
Staff welfare and laundry	1,314,660	521,760
Staff uniforms	922,957	567,855
	115,499,001	73,687,998
Number of Employees	96	88
14 Office Supplies:		
Stationary, postage and supplies	5,071,699	3,105,292
Meetings, office tea and miscellaneous	8,122,133	8,111,401
Newspapers, books and periodicals	830,097	1,296,201
	14,023,929	12,512,893
15 Transport and Travel:		
Travel-Local and Surveillance Audits	23,541,159	24,400,021
Travel-International	23,052,513	19,731,369
Fuel	2,170,827	1,754,751
Vehicle repair and service	2,165,842	1,713,738
Vehicle insurance and licences	2,236,772	1,534,446
	53,167,112	49,134,324
16 Public Relations and Consumer Services		
Corporate subscriptions	3,387,237	3,662,967
Corporate Social Responsibility (CSR)	3,203,988	4,108,241
Advertisement and Public Relations	41,219,700	33,329,514
Branding	4,306,635	3,489,923
Public Seminars/Workshops	24,343,460	13,653,454
PR Agency	6,231,896	8,035,998
	82,692,916	66,280,097
17 Utilities		
Telephone and fax	2,988,163	2,412,154
ISDN Line & Disaster Recovery	1,001,612	732,704
	3,989,775	3,144,858
18 Information and Communication Technology :		
Bandwidth	2,868,716	1,429,988
Software licenses	9,119,808	11,898,732
	11,988,524	13,328,720

ENERGY REGULATORY COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

19 Office Rent and Office Services		
Rent & Parking	40,930,792	41,779,377
Security	1,939,772	1,570,128
Office cleaning	2,892,003	2,200,989
Repair and service-office equipment	2,170,393	1,310,196
Insurance and other	1,730,697	886,662
	49,663,657	47,747,352
20 Consultancy & other professional services		
Consultancy-ERC funded	118,029,945	91,158,255
Consultancy - World Bank-GoK funded	4,661,204	-
Bank charges	501,722	1,196,637
Audit fees and expenses	348,000	348,000
	123,540,872	92,702,892
21 HIV/AIDS Prevention Related Expenses		
Drugs and substance abuse	513,290	683,550
HIV/AIDS, Corruption, Disability, National Cohesion and Safety	1,791,364	1,835,300
	2,304,654	2,929,506

These expenses relate to monies incurred in the implementation of intervention programmes that all government institutions are expected to participate in as per the performance contract guidelines in order to reduce prevalence of HIV/AIDS infections, foster national cohesion, mainstream disability and reduce corruption.

22 Contingency and other expenses

Kenya Energy and Environmental Programme (KEEP)	2,000,000	2,000,000
	2,000,000	2,000,000

The Government Financial Management (Kenya Energy - Sector Environment and Social Responsibility Programme Fund) Regulations, 2007 established a fund where ERC amongst other institutions in the Energy Sector is expected to contribute monies. ERC is expected to contribute KES 2Million annually to the fund.

23 Gain (Loss) on disposal

Property, plant and equipment	43,610	163,729
	43,610	163,729

ENERGY REGULATORY COMMISSION ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

24 Provision of surplus funds to National Treasury

Surplus / (Deficit) for the year	(33,272,212)	82,583,106
Less purchase of assets	(22,136,821)	(62,207,933)
Realised surplus / (deficit)	(55,409,034)	20,375,173
90% of realised surplus funds	0	18,337,656

25. Cash & Cash Equivalents

Banks

Name of the Bank	Bank Account No	Currency	2017 KES	2016 KES
Commercial Bank of Africa	6959370012	KES	55,229,054	77,375
National Bank of Kenya	01003003110800	KES	315,745	492,175
Kenya Commercial Bank	1107180198	KES	6,228,658	29,169,825
Total			61,773,457	29,739,375

Cash on hand and in transit

Form of Cash	2017 KES	2016 KES
Petty Cash	16,885	100,000
Total	16,885	100,000

Short term deposits

Name of Bank	Type and tenor of deposit	Currency	2017 KES	2016 KES
Commercial Bank of Africa	Fixed Deposit - 3 months	KES	0	30,000,000
KCB / S & L Mortgage & Car Loan	Staff Mortgage % Car Loan Account	KES	123,363,530	122,485,572
Total			123,363,530	152,485,572

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	2017	2016
Banks	61,773,457	29,739,375
Cash on hand	16,885	100,000
Short term deposits	123,363,530	152,485,572
	185,153,872	182,324,948

26 Receivables from exchange transactions

Hospital, fuels and rent deposit***	14,999,770	14,999,770
Telephone-deposits	94,000	94,000
Investment interest	0	1,953,108
Prepayments	365,355	
	15,459,125	17,046,878

***Rent deposit of KES 13,964,770 relates to deposit for 3 months for the 4 floors that ERC occupies at Eagle Africa Building. Hospital deposits of KES 650,000.00 are held with Gertrude's, Aga Khan and Nairobi Hospitals to facilitate staff who seek outpatient treatment as per the ERC medical policy. KES385,000 is fuels deposit.

	1-6 months	06-12 months	Over 1 year	Total
	KES	KES	KES	KES
Hospital, fuels & rent deposit			14,999,770	14,999,770
Telephone deposits			94,000	94,000
Prepayments	365,355	0	0	365,355
	365,355	0	15,093,770	15,459,125

27 Receivables from non-exchange transactions

Levies	48,409,914	44,300,659
Provision for WB Capacity building & Consultancy	32,020,371	4,900,030
Staff advance	1,192,663	358,330
Staff imprest	3,148,921	1,555,169
Miscellaneous receivables	2,600	
	84,774,468	51,114,188

28 Stores

	2,355,634	-
	2,355,634	-

29. PROPERTY, PLANT, AND EQUIPMENT

	Motor Vehicles		Computers		Furniture & Fittings		Equipment		Total	
	KES		KES		KES		KES		KES	
Cost										
As at 1 st July 2015	47,860,083		30,609,832		98,973,553		13,838,038		191,281,506	
Add: additions during the year	17,920,242		3,162,889		30,430,860		3,832,151		55,346,142	
Less: disposals during the year			(2,018,000)		(109,601)		(301,990)		(2,429,591)	
Adjustment										
At 30th June 2016	65,780,325		31,754,721		129,294,813		17,368,200		244,198,057	
Cost										
As at 1 st July 2016	65,780,325		31,754,721		129,294,813		17,368,200		244,198,057	
Add: additions during the year	0		5,155,913		2,969,521		1,563,266		9,688,700.37	
Less: disposals during the year	0		(592,523)		(72,406)		(73,924)		(738,853)	
Adjustment										
At 30th June 2017	65,780,325		36,318,111		132,191,928		18,857,542		253,147,906	
Depreciation										
At 1 st July 2015	29,455,873		26,275,608		48,753,717		7,477,566		111,962,763	
Adjustment	9,023,484		2,190,804		13,125,728		1,166,247		25,506,263	
Charge for the year			(2,018,000)		(68,501)		(258,224)		(2,344,724)	
Disposal										
At 30th June 2016	38,479,357		26,448,411		61,810,944		8,385,589		135,124,302	
Depreciation										
At 1 st July 2016	38,479,357		26,448,411		61,810,944		8,385,589		135,124,302	
Charge for the year	9,024,967		3,238,899		14,865,887		1,652,796		28,782,549	
Disposal	0		(592,523)		(26,885)		(59,222)		(678,630)	
At 30th June 2017	47,504,324		29,094,787		76,649,945		9,979,163		163,228,220	
Net book value										
At 30 th June 2017	18,276,001		7,223,324		55,541,982		8,878,379		89,919,686	
At 30 th June 2016	27,300,968		5,306,310		67,483,869		8,982,610		109,073,757	

At 30 June 2017, property and equipment with cost amounting to KES 60,852,879 were fully depreciated and Intangible Assets with Cost amounting to KES 19,557,254 were fully amortized. Depreciation of KES 1,963,038 relates to a donated MV which has been offset against Deferred Income and not on the statement of financial performance.



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	KES	KES
30 Investment		
Treasury Bonds	55,049,356	55,167,776
Amortization Charge	(49,356)	(118,420)
Transfer to CBA Current Account	(55,000,000)	
	<u>-</u>	<u>55,049,356</u>
31 Intangible assets		
Cost		
Opening Balance	75,857,819	68,996,029
Add: Additions during the year	12,448,121	6,861,790
Less: disposal during the year		-
Closing Balance	<u>88,305,939</u>	<u>75,857,819</u>
Amortization charge		
Opening Balance	66,832,040	65,288,895
Amortization charge	4,644,167	1,543,145
Less disposal during the year		-
Closing Balance	<u>71,476,207</u>	<u>66,832,040</u>
Net book value	<u>16,829,733</u>	<u>9,025,779</u>
32 Trade & other Payables from Exchange Transactions		
Suppliers	106,702,190	75,215,831
Rural Electrification Authority (REA) contractors	151,995	124,245
Year End accrual	8,193,300	20,786,674
Commission Fees payable	-	32,500
Energy Act advances from energy sector stakeholders and others	2,702,805	4,029,655
Deferred Income***	4,494,915	6,457,953
	<u>122,245,205</u>	<u>106,646,858</u>

***Deferred income relates to a donation of a Motor Vehicle from the United Nations, which was valued at KES 7,159,961 and was depreciated by KES 2,665,046 as at year-end (KES 1,963,038 FY 2016/17 and KES 702,008 FY 2015/16).

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	1-6 months	06-12 months	Over 1 year	Total
	KES	KES	KES	KES
Suppliers	106,702,190			106,702,190
REA	151,995			151,995
Accruals			8,193,300	8,193,300
Energy Act advances & Others		2,702,805		2,702,805
Deferred Income			4,494,915	4,494,915
Total	106,854,185	2,702,805	12,688,215	122,245,205

33 Provisions

	Audit Fees	Withheld taxes and other statutory deductions	Amount due to consolidated fund	Total
Balance at the beginning of the year	348,000	8,141,439	18,337,656	26,827,095
Additional Provision raised	348,000	0	0	348,000
Provision utilized	(348,000)	(184,150)	(18,337,656)	(18,869,806)
Balance as at 30 th June 2017	348,000	7,957,289	0	8,305,289

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34	Employee benefits obligation		
	Gratuity - Director General	6,615,400	4,160,200
	Gratuity - staff		0
	Other payroll benefits	8,224,181	6,487,818
		<u>14,839,581</u>	<u>10,648,018</u>

35 Net Cash Flow from Operating Activities

Deficit from Operations	(33,272,212)	82,583,106
Less Adjustments		
Depreciation	26,819,511	24,804,254
Amortization for Intangible Assets	4,644,167	1,543,145
Amortization for Treasury Bond	0	49,356
Loss on Revaluation	(43,610)	(163,729)
Total Adjustments	<u>31,420,068</u>	<u>26,233,026</u>
Operating Surplus before Working Capital Changes	1,852,145	103,916,102
Increase in Debtors and stores	38,516,327	(22,532,157)
Increase in Creditors and Accruals	(15,130,413)	9,332,398
Net Change in Working Capital	23,385,914	7,769,317
Interest earned on investments	<u>(7,319,626)</u>	<u>(13,118,763)</u>
Cash generated from Operations	<u>17,918,433</u>	<u>82,497,610</u>

36. Financial Risk Management Objectives and Policies

The Commission activities expose it to a variety of financial risk: credit risk, liquidity risk and market risk. The commission's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The commission regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices.

Risk management is carried out by the management under the supervision of the Commissioners. The Commissioners provides policies for overall risk management, as well as policies covering specific areas such as, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

a) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company.

Credit risk arises from bank balances, trade receivables and amounts due from related parties. The Commission's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

Classification of credit risk bearing assets

The table below represents the commission's maximum exposure to credit risk at the balance sheet date is as follows:

	Fully performing	Past due	Impaired	Total
As at 30 th June 2017	KES	KES	KES	KES
Receivables from non-exchange transactions	84,774,468	-	-	84,774,468
Government securities	-	-	-	-
Bank balances	185,153,872	-	-	185,153,872
	269,928,340			269,928,340

	Fully performing	Past due	Impaired	Total
As at 30 th June 2016	KES	KES	KES	KES
Receivables from non-exchange transactions	17,046,878	-	-	17,046,878
Bank balances	182,324,948	-	-	182,324,948
	199,371,826			199,371,826

All the Commission's receivables are fully performing and are expected to be repaid.

The Government securities are from the Government of Kenya that has no history of default.

Bank balance includes cash in hand and deposits held with banks. Bank balances are not restricted to any use by the client.

b) Market risk management

Interest rate risk

The Commission's interest rate risk arises from investments in short term deposits and Government securities. These are fixed income instruments and would not be significantly affected by fluctuations in interest rates.

Foreign currency risk

Foreign exchange risk would arise where transactions or bank balances are denominated in foreign currency. The Commission does not hold any foreign currency denominated assets or liabilities and hence there is no exposure to foreign currency risk.

Price risk

The Commission does not hold investments that would be subject to price risk; hence this risk is not relevant.

c) Liquidity risk management

Liquidity risk is the risk that the commission will not be able to meet its financial obligations when they fall due. The Commission's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging reputation.

The Commission ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Commissioners.

The table below provides a contractual maturity analysis of the Commission's financial liabilities:

	1-6 months	06-12 months	Over 1 year	Total
	KES	KES	KES	KES
Trade & other payables from exchange transactions	151,995	96,971,863	23,489,479	122,245,205
Employee benefits Obligation	8,224,181	6,615,400		14,839,581
Audit fees payable	348,000	-	-	348,000
Withheld tax and other statutory deductions	7,957,289	-	-	7,957,289
	16,681,465	103,587,263	23,489,479	145,390,075

37. Operating Lease Commitments

Operating lease commitments represent rentals payable by the Commission for rented office space.

The future minimum lease payments under operating leases are as follows:

	2016-2017	2015-2016
	KES	KES
Not later than one year	39,817,191	33,538,955
Later than 1 year and not later than 5 years	<u>159,268,764</u>	<u>134,324,122</u>
	<u>199,085,955</u>	<u>167,863,077</u>

The Commission is of the view that future net revenues and funding will be sufficient to cover these commitments. The Commission has leased office premises under an operating lease. The lease typically runs for 5 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Commission does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognized in the Statement of Financial Performance.

38. Related Party Transactions

The following transactions were carried out with related parties.

Key management compensation

	2016-2017	2015-2016
Key management compensation	KES	KES
Salaries to senior Management	70,940,736	67,466,995
Other Allowances	<u>22,148,469</u>	<u>20,673,117</u>
	<u>93,089,205</u>	<u>88,140,111</u>

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Commission remuneration

Name	Monthly Fee & Honoraria	Sitting Allowance	Lunch	Total
Eng. Titus Gitahi	0	1,060,000	54,000	1,114,000
Eng. Samuel Mugo	600,000	1,160,000	42,000	1,802,000
Eng. Eric Nyamunga	600,000	1,120,000	58,000	1,778,000
National Treasury	600,000	-	-	600,000
Mr. Nixon L. Lenaiyara	600,000	920,000	28,000	1,548,000
Dr. Sellah Kebenei	600,000	1,440,000	58,000	2,098,000
Mr. Peter Njenga Mwangi	600,000	1,420,000	42,000	2,062,000
Mr. Joshua Oigara	1,560,000	460,000	28,000	2,048,000
Mr. Christopher Ombega	-	40,000	-	-
Total	5,160,000	7,620,000	310,000	13,050,000

XII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Casting Error - Statement of Comparison of Budget and Actual Amounts.	An error, which will be amended	Muznah Sisiwa Chief Accountant	Resolved.	
2	Payment of Net Salaries below 1/3 of basic salary	To tighten the payroll system to bar any deductions in violation of the Employment Act	Muznah Sisiwa Chief Accountant	Not Resolved	28 th February 2018
3	Un-budgeted Expenditure - Training and Capacity Building (WBF).	There was approval and supporting documentation attached.	Muznah Sisiwa Chief Accountant	Resolved.	
4	Discrepancy between Financial Statements and Ledger Balances - Training & Personnel Cost.	Discrepancy arose on treatment of 3 above, and a Journal Voucher was done.	Muznah Sisiwa Chief Accountant	Resolved.	
5	Discrepancy between Payroll and Ledger Balances.	Discrepancy is due to the employers pension contribution and accrued leave days which is not recognized in the staff payslips.	Muznah Sisiwa Chief Accountant	Resolved.	

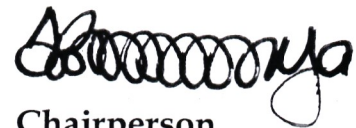
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Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



Director General



Chairperson


Date..... 8/6/18

Date..... 8/6/18

APPENDIX: TRANSFERS FROM OTHER GOVERNMENT ENTITIES

ENTITY NAME:		ENERGY REGULATORY COMMISSION		
Break down of Transfers from the Ministry of Energy and Petroleum				
FY 2016/2017				
a.	Recurrent Grants			
		<u>Bank Statement</u>		
		<u>Date</u>	<u>Amount (KShs)</u>	<u>Financial Year</u>
		07-12-2016	20,250,000	2016/2017
		04-07-2017	5,421,887	2016/2017
		04-07-2017	12,131,325	2016/2017
		04-07-2017	9,244,490	2016/2017
		07-07-2017	4,018,280	2016/2017
		01-11-2017	1,204,390	2016/2017
		Total	52,270,371	

- i) The above amounts have been communicated to and reconciled with the parent Ministry.
- ii) There were no development grants, direct payments and donor receipts.


Head of Finance,
Energy Regulatory Commission

Head of Accounting Unit
Ministry of Energy