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REPORT

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Perpetual Mviga

CLERK-AT-THE-TABLE:

OF

THE AUDITOR-GENERAL

ON

MINISTRY OF ENERGY

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





MINISTRY OF ENERGY

REPORTS AND FINANCIAL STATEMENTS

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

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

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1. KEY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry of Energy was formed many years ago and on 20 May 2013, its name was changed to the Ministry of Energy and Petroleum through Executive Order No.2/2013 that outlined the Organisation of the Government of Kenya. However, under the Executive Order No. 1 of May, 2020 on the Organization of the Government of the Republic of Kenya, the Ministry was renamed to the Ministry of Energy and it draws its mandates from the above Executive Order. At the Cabinet level, the Ministry is represented by the Cabinet Secretary who is responsible for the general policy and strategic direction of the Ministry.

i. Vision of the Ministry of Energy

“Affordable, Quality Energy for all Kenyans

ii. Mission of the Ministry of Energy

To facilitate provision of clean, sustainable, affordable, reliable and secure energy services for national development while protecting the environment.

iii. Mandate of the Ministry of Energy

The Ministry of Energy is mandated to undertake the following functions:

- National Energy and Policy management
- Hydro-power Development
- Thermal Power Development
- Geothermal Exploration and Development
- Rural Electrification Programme
- Promotion of Renewable Energy
- Energy Regulation, Security, and Conservation

iv. Core Values of the Ministry of Energy

- Integrity
- Transparency
- Accountability
- Professionalism
- Prudent utilization of resources
- Open to constructive suggestions

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(b) Fiduciary Management

	<p>Hon. Charles Keter, EGH, was appointed Cabinet Secretary for the Ministry of Energy and Petroleum in December 2015. He had previously served as an Assistant Minister in the same Ministry between 2008 and 2010. His responsibilities include oversight, policy and governance of the Ministry’s mandate which is to facilitate the provision of clean, sustainable, affordable, reliable, secure and quality energy and petroleum services for national development while protecting the environment. He holds Bachelor of Science degree from Kenyatta University and a Global Executive MBA from the United States International University (USIU).</p>
	<p>Eng. Dr. Joseph Njoroge has wide experience in power engineering and management. He previously worked at Kenya Power and rose through the ranks to become Managing Director before being nominated to the position of Principal Secretary in the Ministry of Energy and Petroleum. Eng. Njoroge holds a Bachelor of Science degree in electrical engineering and Master of Business Administration with a major in strategic management. 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. He also holds a PhD from University of Nairobi’s School of Business.</p>
	<p>Hon. Simon Kachapin Preceding his appointment in March 2018, was the Governor of West Pokot County from 2013 to 2017. He was the Chief Administrative Secretary, Ministry of Education before joining the Ministry of Energy in the same capacity. He was also the KSHSSHA Chairman West Pokot and the Chairman Principals Catholic Diocese of Kitale. Hon. Kachapin has been Deputy Principal for 4 years and Senior Principal for 12 years. He holds a Bachelor’s Degree from Moi University and currently pursuing a Master’s Degree in Leadership and Integrity.</p>

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**Eng. Julius Mwathani, Secretary,
 Electrical Power Development**

Eng. Julius Micheni Mwathani is the Secretary, Electrical Power Development in the Ministry. He is a Registered Consulting Mechanical Engineer by the Engineers Board of Kenya and a corporate member of the Engineers Institution of Kenya. His current duties include the formulation of energy policies, the economic and financial appraisal of energy projects, the monitoring and implementation of energy projects and the preparation and implementation of directorate work plans, budgets and procurement plans. He has a Bachelor's degree from the University of Nairobi in Mechanical Engineering and an Executive Master's degree Business Administration from Jomo Kenyatta University of Agriculture Technology.



**Eng. Isaac N. Kiva, OGW
 Secretary for Renewable Energy**

Eng. Isaac Kiva is the Secretary Renewable Energy since 1st June, 2017. Previously, he had served as the Director of Renewable Energy from 30th August, 2013. He heads the Directorate charged policy formulation, and promotion of development and utilization of renewable energy, energy efficiency and conservation, including facilitation of private sector investment. Eng. Kiva has wide experience in public sector management, having worked in energy and senior Government positions for over 20 years. He holds a Bachelor's Degree in Electrical Engineering from the University of Nairobi, and has undergone several professional courses in management, leadership, energy development and financial and economic analysis and modeling. He is a registered Professional Engineer with the Engineers Board of Kenya and a member of the Institution of Engineers of Kenya.



**Mr. Evans M. Mutari (MBS)
 Secretary Administration**

Mr Evans Mutari is the Secretary Administration in the Ministry of Energy since 2018. He holds a Master's Degree in Business Administration from JKUAT. Previously he has served at State House as Director of Administration, He has a vast experience in Civil Service as District Commissioner and District Officer in various district all over the country. He has also attended several administrative courses including Senior Strategic Leadership.

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CPA. Moses Gitari
Assistant Accountant General

CPA Moses Gitari is the Head of Accounting Unit, Ministry of Energy. He holds an MBA in Strategic Management from Nairobi University and BBA in Accounting and Finance from KEMU. Mr Gitari is a practicing Accountant and a member of Institute of Certified Public Accountant of Kenya (ICPAK) ICPAK. He has vast experience in Accounting Systems Implementation and Business process re-engineering. He has previously worked in the Ministry of Health as an Accountant and at the National Treasury IFMIS Department as the Head of business process re-engineering.



Mr, William O. Mbaka
Senior Deputy Director Budget

Mr. William O. Mbaka is currently Head of Finance in the Ministry of Energy at the grade of Senior Deputy Director of Budget. He is also serving as the Chairman of Energy Task Force on the implementation of Energy Act 2019. He has served in the Civil Service for 30 years and in particular as a Head of Finance for 18 years. He has served in various ministries which includes; National Treasury, Housing, Agriculture, Health, Planning and Labour, among others. Mr Mbaka has also served as an Alternate Director in various State Corporations including Nzoia Sugar Company, Kenya Sugar Board, Sony Sugar Company and Coast Development Authority and currently is serves as an Alternate Director at Kenya Generating Electricity Company (KENGEN). He holds an MBA in Finance from Birmingham University (UK), A degree in Business Studies from Kenyatta University and an ACCA qualification.



Mr. Chrispin O. Lupe
Chief Geologist

Mr. Chrispin O. Lupe is heading the Geo-Exploration Directorate. He holds a BSc degree in Geology from the University of Nairobi and MSc degree in geoinformation from ITC, Netherlands. He is a Registered Geologist with the Geologist Registration Board and a Professional Member of the Geological Society of Kenya. Mr. Lupe joined the Ministry of Energy on 7th September, 2017 on promotion from Ministry of Mining. He has served in the Civil Service for 27 years as a Geologist at different levels in the Geological Survey Department. The Geo-Exploration Directorate is in charge of exploration and development of geo-energy resources from geothermal, coal and nuclear resources for power generation.

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Mr Stephen Lusweti
Director Human Resource Management

Mr. Stephen Lusweti assumed the position of Director, Human Resource Management & Development in March, 2015. He is responsible for the human resource management and development function at the State Department Energy. He holds a Bachelor of Arts degree from the University of Nairobi and Masters degree from Speyer University, German.



Mr. Timothy Gakuu,OGW
Head of Economic Planning

Mr. Timothy G. Gakuu joined the Ministry in October 2015 to Head the CPPMU. He coordinates and supervises Economic Planning functions in the ministry that include; Planning, analysis and review of government policies; Economic analysis, review and monitoring and evaluation of development programmes and projects; analysis of information on energy to advise the Principle Secretary on economic and strategic planning; performance contracting and budget management processes and reporting. He holds a Masters in Economics and a Bachelor's degree from Nairobi University.



Ms. Felista N. Ng'ang'a
Assistant Director Supply Chain & Management

Felista Njoki Ng'ang'a is the head of Supply Chain Management Service Unit in the Ministry of Energy. She is a holder of MBA (Strategic Management) She is also a holder of a B.Com (Business Administration) professionally, she is a member of KISM and KIM. She has a Diploma in Purchasing and Supplies Management She has 15years of experience in Public Procurement particularly in areas of Strategy, Contract Management and Binding process having worked in various government ministries and departments.

(c) Fiduciary Oversight Arrangements

(i) Budget Implementation Committee;

Responsibilities of Budget Implementation Committee are;

- To review and consider the cash flows plans – this shall involve a regular review of the Ministerial cash plan and approval of any changes to the initial cash flow plan to be communicated to the National Treasury
- To review the utilization of cash limits and consider any changes as may be required.
- To review the utilization of donor funds voted for MDA;
- To advise the Accounting officer on any challenges related to the budget implementation
- To review and recommend reallocation of expenditures;
- To review and approve the submission of the expenditure returns, IPPD, pending billings and AIA returns for MDAs and recommend actions to be taken;
- To participate in sector working groups and
- To prepare the budget for the line Ministry/ State Department in consultation with Heads of Departments

(ii) Ministerial Human Resource Management Advisory Committee

The Committee has nine members and the quorum is five and meets once in each month. The functions of the committee are;

- Recruitment, selection and appointments
- Promotions
- Confirmation in appointments
- Training and development
- Training impact assessment
- Management of skills inventory
- Establishment and complement control;
- Payroll management
- Deployment
- Promotion of values and principles of public service

(iii) Internal Audit Unit

The mandate of Internal Audit unit includes;

- Planning, co-ordination, organisation and management of internal audit services at the Ministry of Energy.
- Appraising the economy, efficiency and effectiveness with which finances and other resources are managed and utilized at the Ministry.
- Conducting risk based value for money and systems audit aimed at strengthening internal control mechanisms that could have an impact with achievement of the strategic objectives of the Ministry
- Assist the Principal Secretary in establishing Audit Committee in the Ministry and provide secretarial services
- Co-ordination of the Institutional Risk Policy Framework agenda at MOE
- Conduct investigations/ special audits as maybe assigned by the Accounting officer

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- Advising the Cabinet Secretary and the Principal Secretary in the emerging issues in Internal Auditing

(iv) Development Partners Oversight Activities

The Ministry main development partners are; African Development Bank, European International Bank, The World Bank, Japan International Corporation Company(JICA), EXIM Bank of India and China, German Development Bank and Agence Francaise De Development.

(d) Ministry of Energy Headquarters

P.O. Box 30582-00100
Nyayo House
Kenyatta Avenue
NAIROBI, KENYA

Ministry of Energy Contacts

Telephone: (254) (020)3310112
E-mail: psenergy@energy.go.ke
Website: www.energy.go.ke

(e) Ministry Bankers

1 Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
NAIROBI, KENYA

2 Kenya Commercial Bank
Kipande Branch
NAIROBI, KENYA

(f) Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
NAIROBI, KENYA

(g) Principal Legal Adviser

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

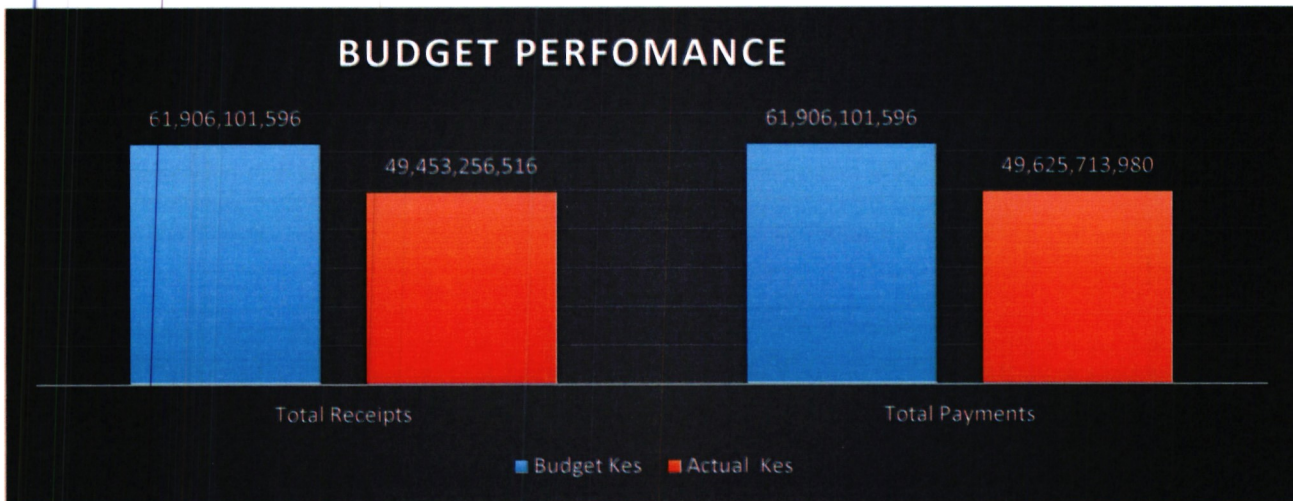
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2. FORWARD BY THE CABINET SECRETARY

I. Budget Performance Against Actual Amounts for 2019/2020

- a) During the year under review, the budget for the financial year 2019-2020 was Kshs. 61,906,101,596. The actual receipts collected was Kshs. 49,453,256,516 and payments made were Kshs 49,625,713,980. This led to a deficit budget of Kshs 172,457,464 and a budget overall performance of 80% as shown below:

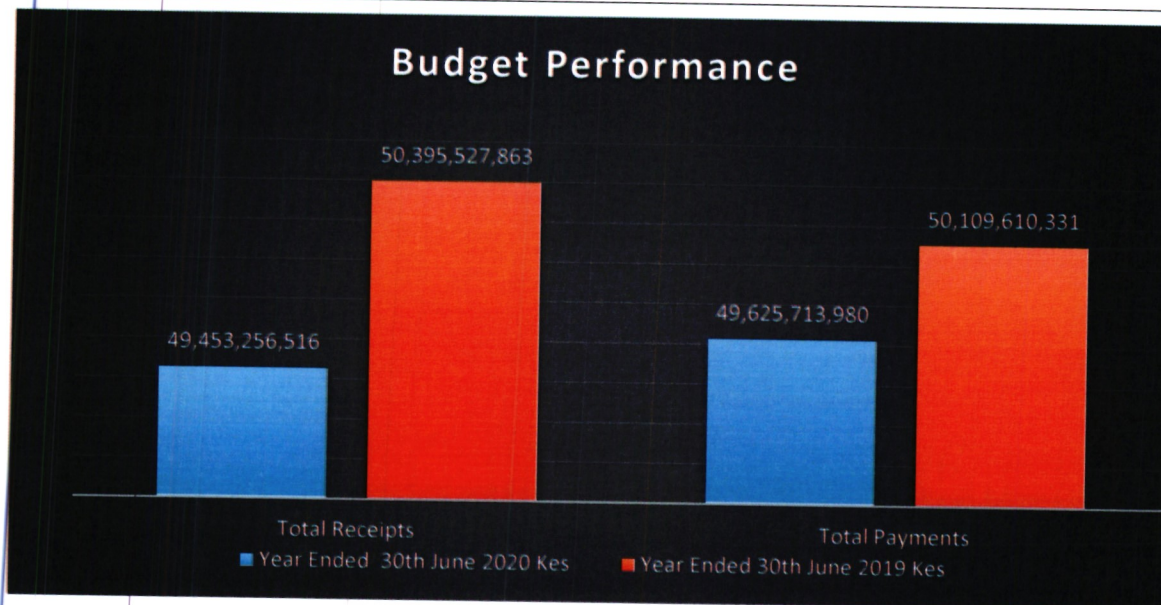
Details	Budget Kshs	Actual Kshs	Variance Kshs	Utilisation Variance %
Total Receipts	61,906,101,596	49,453,256,516	12,452,845,080	80%
Total Payments	61,906,101,596	49,625,713,980	12,280,387,616	80%
Deficit for the Year	-	(172,457,464)	172,457,464	



- b) There was a decrease in budget receipts from the previous year 2018-2019 by Kshs 942,271,347 and Kshs 483,896,351 on payments. This can be attributed mainly to budget cuts due to the effects of the Covid-19 pandemic.

Details	Year Ended 30th June 2020 Kshs	Year Ended 30th June 2019 Kshs	Change Kshs	Change %
Total Receipts	49,453,256,516	50,395,527,863	-942,271,347	-2%
Total Payments	49,625,713,980	50,109,610,331	-483,896,351	-1%

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c) The budget allocation by programmes for the Ministry during the year which were allocated and spent in various thematic areas as shown below:

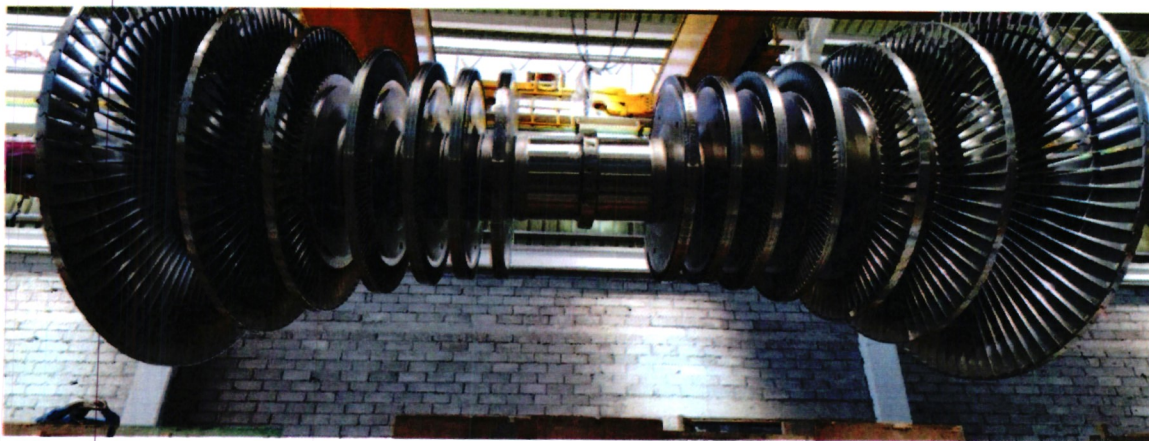
Programmes	Budget Allocation	Actual On Comparable basis	Budget utilization Difference
	Kshs	Kshs	Kshs
Administrative Services	295,930,578	242,839,859	53,090,719
Planning and Project Monitoring	23,283,425	16,513,192	6,770,233
Financial Services	254,783,666	247,548,902	7,234,764
Geothermal Generation	6,627,454,383	3,051,907,782	3,575,546,601
Development of Nuclear Energy	895,224,600	895,224,600	-
Coal Exploration and Mining	515,000,000	401,248,269	113,751,731
National Grid System	39,783,443,231	35,652,861,188	4,130,582,043
Rural Electrification	10,199,352,592	6,200,029,818	3,999,322,774
Alternative Energy Technologies	3,311,629,121	2,917,540,370	394,088,751
Total	61,906,101,596	49,625,713,980	12,280,387,616

II. Key Programmes and Projects Performance During 2019/20 FY-Non Financial

A. Power Generation

1. Generation Capacity added to the National Grid

161.6MW of power was brought on board, 158MW from Olkaria V and 3.6MW from KTDA power projects.



Olkaria V – Steam Turbine

2. Geothermal Development

a) Olkaria V (165.4MW)

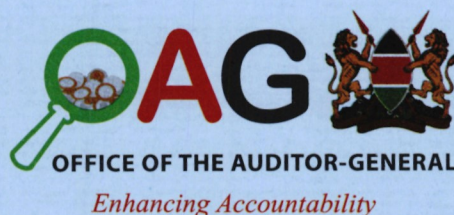
The construction works was completed and the project commissioned on November 2019. The project progress during 2019/20 was moved from 92% to 100%. Defects Notification Period for the project works continued and will lapse in December 2020.



165.4MW Olkaria V Power Plant and sub-station

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MINISTRY OF ENERGY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Ministry of Energy set out on pages 28 to 47, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows, summary statement of appropriation - recurrent and development combined 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 Ministry of Energy as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Emphasis of Matter

Land Without Title Deeds

As reported in previous years and as disclosed in Annex I – Summary of Fixed Assets Register, the State Department does not have title deeds for eight (8) occupied parcels of land, measuring a total of 21.42 hectares and with book value of approximately Kshs.180,700,000 as detailed out below:

No.	Land Parcel	Size (Hectares)	Location (County)	Approximate Value (Kshs)	Condition
1.	Kericho Energy Centre	0.8	Kericho	15,000,000	Developed and fenced
2.	Kisii Energy Centre	1	Kisii	12,000,000	Developed and fenced
3.	Migori Energy Centre	0.4	Migori	2,200,000	Developed and fenced
4.	Bukura Energy Centre	2	Kakamega	3,500,000	Developed and fenced
5.	Uasin Gishu Energy Centre	0.8	Uasin Gishu	12,000,000	Developed and fenced
6.	Kitui Energy Centre	10.4	Kitui	53,000,000	Developed and fenced
7.	Wambugu Energy Centre	4	Nyeri	80,000,000	Developed and fenced
8.	Mitunguu Energy Centre	2.02	Meru	3,000,000	Developed and fenced
	Total	21.42		180,700,000	

Available information indicates that the process of acquiring title deeds for some of the land parcels has been underway for a significantly long period of time. Management has explained that The National Treasury in liaison with the Ministry of Energy is in the process of acquiring the title deeds. However, by the time of concluding the audit, the title deeds were yet to be issued.

In the absence of ownership documents, it has not been possible to confirm the rightful ownership of these parcels.

Other Matter

Budgetary Performance and Control

As reflected in the Summary Statement of Appropriation - Recurrent and Development Combined, the Ministry had a total budgeted revenue of Kshs.61,906,101,596 but received Kshs.49,453,256,516 resulting to under collection of Kshs.12,452,845,081 or 20%. Further, the Ministry projected to spend a total of Kshs.61,906,101,596 on various budget lines but actually spent Kshs.49,625,713,980 resulting to an overall budget under absorption of Kshs.12,280,387,615 or 20%. The under absorption of the budget may have resulted in slow implementation of the planned activities of the Ministry impacting negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2012, based on the audit procedures performed, I confirm that, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance, were not effective.

Basis for Conclusion

1. Lack of Risk Management Policy Framework

According to Regulation 165(1) of the Public Finance Management Regulations, 2015, a National Government entity should develop risk management strategies which should include fraud prevention mechanisms, a disaster recovery plan and a system of risk management and internal control that builds robust operations. However, as previously reported, an audit review of the policies in place at the Ministry revealed that a Risk Management Policy Framework to assist the Ministry in forecasting, evaluation of risk and identification of procedures for avoiding or minimizing the impact of the risk had not been developed. This is despite the 2018-2022 Strategic Plan being developed and launched during the year.

In absence of a formal approved risk management framework, ability to identify risks and definition of strategy to eliminate or minimize the impact of the risks could be compromised.

2. Incomplete Fixed Assets Register

According to the summary of fixed assets register at Annex 1, the Ministry had fixed assets with a total historical cost of Kshs.268,664,633,879 as at 30 June, 2020. However,

as previously reported, the register of assets maintained and availed for audit verification did not contain comprehensive details of the assets such as cost, disposals, depreciation, location of the asset, tagging and the officer responsible for each asset, among other details, as required under Regulation 143 (2) of Public Finance Management Regulations, 2015 and the Treasury Circular 1 No. 5/2020 of 25 February, 2020. In the absence of a comprehensive register of assets, it was not possible to confirm the completeness and proper safeguard of the reported assets.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis), and for maintaining effective 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 and for assessment of the effectiveness of the internal control, risk management and governance.

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Ministry's ability to continue sustaining its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Ministry to cease sustaining its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Ministry to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

31 December, 2020

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7. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2019-2020	2018-2019
		Kshs	Kshs
RECEIPTS			
Tax Receipts	1	2,205,150,443	1,693,073,664
Exchequer releases	2	20,603,611,338	26,380,722,614
Proceeds from Foreign Borrowings	3	26,290,524,112	21,978,839,809
Proceeds from Sale of Assets	4	1,970,623	1,166,776
Other Receipts	5	352,000,000	341,725,000
TOTAL RECEIPTS		49,453,256,516	50,395,527,863
PAYMENTS			
Compensation of Employees	6	374,393,150	410,453,421
Use of goods and services	7	2,825,368,705	575,126,221
Transfers to Other Government Units	8	19,054,108,779	25,214,847,540
Acquisition of Assets	9	27,371,843,346	23,909,145,349
TOTAL PAYMENTS		49,625,713,980	50,109,572,531
(DEFICIT) /SURPLUS		(172,457,464)	285,955,332

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry's financial statements were approved on 21-9-2020 and signed by:



Dr. Eng. Joseph K. Njoroge, CBS
Principal Secretary



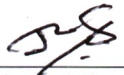
Moses Peterson Muriuki Gitari
Assistant Accountant General
ICPAK Member Number: 4204


MINISTRY OF ENERGY
Reports and Financial Statements
For the year ended June 30, 2020

8. STATEMENT OF ASSETS AND LIABILITIES

	Note	2019-2020	2018-2019
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	10	249,069,789	443,659,556
Cash Balances		-	4,110
TOTAL FINANCIAL ASSETS		249,069,789	443,663,666
FINANCIAL LIABILITIES			
Accounts Payables – Deposits and retentions	11	(149,495,200)	(157,708,334)
NET FINANCIAL ASSETS		99,574,589	285,955,332
REPRESENTED BY			
Fund balance b/fwd	12	285,955,332	159,051,507
Prior year adjustment	13	(13,923,279)	(159,051,507)
(Deficit)/Surplus for the year		(172,457,464)	285,955,332
NET FINANCIAL POSITION		99,574,589	285,955,332

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry's financial statements were approved on 21-9- 2020 and signed by:


 Dr. Eng. Joseph K. Njoroge, CBS
 Principal Secretary



 Moses Peterson Muriuki Gitari
 Assistant Accountant General
 ICPAK Member Number: 4204


MINISTRY OF ENERGY
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9. STATEMENT OF CASH FLOWS

		2019-2020	2018 -2019
		Kshs	Kshs
Receipts for operating income			
Tax Revenues	1	2,205,150,443	1,693,073,664
Exchequer Releases	2	20,603,611,338	26,380,722,614
Other Revenues	5	352,000,000	341,725,000
Payments for operating expenses			
Compensation of Employees	6	-374,393,150	-410,453,421
Use of goods and services	7	-2,825,368,705	-575,126,221
Transfers to Other Government Units	8	-19,054,108,779	-25,214,847,540
Adjusted for:			
Adjustments during the year			
Decrease/(Increase) in Accounts receivable:(outstanding imprest)		-	139,114,483
Decrease in Accounts Payable: (deposits and retention)		-8,213,134	64,591,078
Prior Year Adjustments		-13,923,279	-159,051,507
Net cash flow from operating activities		884,754,734	2,259,748,150
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from Sale of Assets	4	1,970,623	1,166,776
Acquisition of Assets	9	-27,371,843,346	-23,909,145,349
Net cash flows Used Investing Activities		-27,369,872,723	-23,907,978,573
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings	3	26,290,524,112	21,978,839,809
Net cash flow from financing activities		26,290,524,112	21,978,839,809
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT		-194,593,877	330,609,386
Cash and cash equivalent at BEGINNING of the year		443,663,666	113,054,280
Cash and cash equivalent at END of the year	10	249,069,789	443,663,666

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Ministry of Energy financial statements were approved on 21-9- 2020 and signed by:


 Dr. Eng. Joseph K. Njoroge, CBS
 Principal Secretary


 Moses Peterson Muriuki Gitari
 Assistant Accountant General
 ICPAK Member Number: 4204

10. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT-COMBINED

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Tax Receipts	7,694,500,000	1,179,500,000	8,874,000,000	2,205,150,443	6,668,849,557	25%
Proceeds from Domestic and Foreign Grants		10,000,000	10,000,000	-	10,000,000	0%
Exchequer releases	26,857,000,000	-5,218,845,656	21,638,154,344	20,603,611,338	1,034,543,006	95%
Proceeds from Foreign Borrowings	38,711,000,000	-9,764,052,748	28,946,947,252	26,290,524,112	2,656,423,140	91%
Proceeds from Sale of Assets	1,790,000	1,790,000	3,580,000	1,970,623	1,609,378	55%
Other Receipts	1,278,710,000	1,154,710,000	2,433,420,000	352,000,000	2,081,420,000	14%
TOTAL RECEIPTS	74,543,000,000	(12,636,898,404)	61,906,101,596	49,453,256,516	12,452,845,081	80%
PAYMENTS						
Compensation of Employees	220,000,000	168,000,000	388,000,000	374,393,150	13,606,849	96%
Use of goods and services	475,143,082	2,436,275,160	2,911,418,242	2,825,368,705	-11,440,491	100%
Transfers to Other Government Units	25,383,500,000	1,243,388,754	26,626,888,754	19,054,108,779	7,572,779,975	72%
Social Security Benefits	650,000	650,000	1,300,000	-	1,300,000	0%
Acquisition of Assets	48,463,706,918	(16,485,212,318)	31,978,494,600	27,371,843,346	4,704,141,282	85%
TOTAL PAYMENTS	74,543,000,000	(12,636,898,404)	61,906,101,596	49,625,713,980	12,280,387,615	80%
Deficit				(172,457,464)		

- Tax Receipts 25%; this is due few applications for Royalties licences.
- Proceeds from sale of assets and other receipts 55%; this is due to effect of supplementary budget.
- Transfers to Other Government Units 72%; the under expenditure was increase in supplementary budget.
- Acquisition of Assets 85%; the under expenditure was due the reduction of the budget in the supplementary.
- The Ministry's had a net reduction of Supplementary budget of Kshs. 12,636,898,404

The Ministry's financial statements were approved on 21-8-2020 and signed by:



Dr. Eng. Joseph K. Njoroge, CBS
Principal Secretary



Moses Peterson Muriuki Gitari
Assistant Accountant General
ICPAK Member Number: 4204

11. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
RECEIPTS						
Tax Receipts	746,500,000	1,032,500,000	1,779,000,000	-	1,779,000,000	0%
Exchequer releases	973,000,000	1,078,000,000	2,051,000,000	2,051,000,000	-	100%
Proceeds from Sale of Assets	1,790,000	1,790,000	3,580,000	1,970,623	1,609,377	55%
Other Receipts	1,154,710,000	1,154,710,000	2,309,420,000	222,254,947	2,087,165,053	10%
TOTAL RECEIPTS	2,876,000,000	3,267,000,000	6,143,000,000	2,275,225,570	3,867,774,430	37%
PAYMENTS						
Compensation of Employees	208,000,000	168,000,000	376,000,000	363,495,062	12,504,938	97%
Use of goods and services	120,143,082	128,236,160	248,379,242	213,994,694	34,384,548	86%
Transfers to Other Government Units	2,529,500,000	2,960,500,000	5,490,000,000	1,675,000,000	3,815,000,000	31%
Social Security Benefits	650,000	650,000	1,300,000	-	1,300,000	0%
Acquisition of Assets	17,706,918	9,613,840	27,320,758	21,902,045	5,418,713	80%
TOTAL PAYMENTS	2,876,000,000	3,267,000,000	6,143,000,000	2,274,391,801	3,868,608,199	37%
Deficit				-833,769	833,769	

- Proceeds from Sale of Assets 55%; this is due few applications for Royalties licences.
- Other Receipts 10%; this is due to increase in supplementary budget
- Use of goods and services 86%; this is due to increase in supplementary budget and Covid-19 pandemic
- Transfers to Other Government Units 31% the under expenditure due to increase in supplementary budget.
- Acquisition of Assets 80% the under expenditure was due the increase of the budget in the supplementary.
- The State Department had a net increase of Supplementary budget of Kshs 3,267,000,000

The Ministry's financial statements were approved on 21-9-2020 and signed by:



Dr. Eng. Joseph K. Njoroge, CBS
Principal Secretary



Moses Peterson Muriuki Gitari
Assistant Accountant General
ICPAK Member Number: 4204

**Reports and Financial Statements
For the year ended June 30, 2020**

12. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Tax Receipts	6,948,000,000	147,000,000	7,095,000,000	2,205,150,443	4,889,849,557	31%
Proceeds from Domestic and Foreign Grants	-	10,000,000	10,000,000	-	10,000,000	0%
Exchequer releases	25,884,000,000	6,296,845,656	19,587,154,344	18,552,611,338	1,034,543,006	95%
Proceeds from Foreign Borrowings	38,711,000,000	9,764,052,748	28,946,947,252	26,290,524,112	2,656,423,140	91%
Other Receipts	124,000,000	-	124,000,000	129,745,053	- 5,745,053	105%
TOTAL RECEIPTS	71,667,000,000	15,903,898,404	55,763,101,596	47,178,030,946	8,585,070,650	85%
PAYMENTS						
Compensation of Employees	12,000,000	-	12,000,000	10,898,088	1,101,912	91%
Use of goods and services	355,000,000	2,308,039,000	2,663,039,000	2,611,374,011	- 45,825,039	102%
Transfers to Other Government Units	22,854,000,000	1,717,111,246	21,136,888,754	17,379,108,779	3,757,779,975	82%
Acquisition of Assets	48,446,000,000	16,494,826,158	31,951,173,842	27,349,938,301	4,698,722,569	85%
TOTAL PAYMENTS	71,667,000,000	15,903,898,404	55,763,101,596	47,351,319,179	8,411,779,417	85%
Surplus/Deficit	-	-	-	-173,288,233		

- i. Tax receipts 31%; this is due to low collection of AIA revenues.
- ii. Other Receipts 105% this is due to additional revenues from incidental Sale by Non- Market establishments.
- iii. Proceeds from Domestic and Foreign grants 0%; this is due to non-disbursement of the same by the donors.
- iv. Transfers to Other Government Units 82% the under expenditure was due increase in Supplementary budget.
- v. Acquisition of Assets 85% the under expenditure was due the reduction of the budget in the supplementary.
- vi. The State Department had a net decrease of Supplementary budget of **Kshs15,903,898,404**

The Ministry's financial statements were approved on 21-9-2020 and signed by:



Dr. Eng. Joseph K. Njoroge, CBS
Principal Secretary



Moses Peterson Muriuki Gitari
Assistant Accountant General
ICPAK Member Number: 4204

13. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Final Budget	Actual on comparable	Budget utilization
	2020 Kshs	Date, 2020 Kshs	difference Kshs
General Administration, Planning and Support	573,997,669	506,901,954	67,095,715
Administrative Services	295,930,578	242,839,859	53,090,719
Planning and Project Monitoring	23,283,425	16,513,192	6,770,233
Financial Services	254,783,666	247,548,902	7,234,764
Power Generation	8,037,678,983	4,348,380,651	3,689,298,332
Geothermal Generation	6,627,454,383	3,051,907,782	3,575,546,601
Development of Nuclear Energy	895,224,600	895,224,600	0
Coal Exploration and Mining	515,000,000	401,248,269	113,751,731
Power Transmission and Distribution	49,982,795,823	41,852,891,005	8,129,904,818
National Grid System	39,783,443,231	35,652,861,187	4,130,582,044
Rural Electrification	10,199,352,592	6,200,029,818	3,999,322,774
Alternative Energy Technologies	3,311,629,121	2,917,540,370	394,088,751
Alternative Energy Technologies	3,311,629,121	2,917,540,370	394,088,751
	61,906,101,569	49,625,713,980	12,280,387,589

MINISTRY OF ENERGY
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For the year ended June 30, 2020

14. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

2. Reporting Entity

The financial statements are for the Ministry of Energy. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the Ministry:

- i. Kenya Electricity Modernization Project
- ii. Kenya Off-Grid Solar Access Project

3. Reporting Currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Ministry of Energy for all the years presented.

a) Recognition of Receipts

The Ministry recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Ministry of Energy.

Tax Receipts

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

MINISTRY OF ENERGY
Reports and Financial Statements
For the year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES

• **Transfers from the Exchequer**

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

• **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30th June 2020, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

• **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

b) Recognition of payments

The Ministry recognises all payments when the event occurs, and the related cash has been paid out by the Ministry.

• **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

• **Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

• **Interest on Borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they are paid for.

MINISTRY OF ENERGY
Reports and Financial Statements
For the year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES

• **Repayment of Borrowing (Principal Amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

• **Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by Ministry and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

5. In-kind contributions

In-kind contributions are donations that are made to the Ministry in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Ministry includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings.

7. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2020, this amounted to Kshs 148,495,200 compared to Kshs 157,708,334 in prior period as indicated on note 12.

There were no other restrictions on cash during the year.

MINISTRY OF ENERGY
Reports and Financial Statements
For the year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES

8. Accounts Receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

9. Accounts Payable

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

10. Pending Bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ items to provide a sense of the overall net cash position of the MINISTRY OF ENERGY at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

11. Budget

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2020 for the period 1st July 2019 to 30th June 2020 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

12. Comparative Figures

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

MINISTRY OF ENERGY
Reports and Financial Statements
For the year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES

13. 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 30th June 2020.

14. Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

15. Related Party Transactions

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

MINISTRY OF ENERGY
Reports and Financial Statements
For the year ended June 30, 2020

15. NOTES TO THE FINANCIAL STATEMENTS

1 TAX REVENUES

	2019-2020	2018-2019
	Kshs	Kshs
Taxes on Goods and Services	2,205,150,443	1,693,073,664
Total	2,205,150,443	1,693,073,664

These are AIA revenues collected from Petroleum development levy fund, Royalties on Geothermal Development and electricity levy.

2 EXCHEQUER RELEASES

Description	2019-2020	2018-2019
	Kshs	Kshs
Total Exchequer Releases for quarter 1	5,506,470,627	1,880,549,459
Total Exchequer Releases for quarter 2	5,286,358,148	16,095,945,615
Total Exchequer Releases for quarter 3	7,967,179,914	4,512,763,907
Total Exchequer Releases for quarter 4	1,843,602,649	3,891,463,633
Total	20,603,611,338	26,380,722,614

The Ministry received a total of Kshs 2,051,000,000 against a recurrent budget of Kshs 2,051,000,000 and also a total of Kshs 18,552,611,338 against a Development budget of Kshs 19,587,154,344.

3 PROCEEDS FROM FOREIGN BORROWINGS

	2019-2020	2018-2019
	Kshs	Kshs
Foreign Borrowing - Direct Payments	26,290,524,112	21,978,839,809
Total	26,290,524,112	21,978,839,809

This was a direct payment made by The National Treasury from funds borrowed from various financiers.

4 PROCEEDS FROM SALE OF ASSETS

	2019-2020	2018-2019
	Kshs	Kshs
Receipts from the Sale of Inventories, Stocks and Commodities	1,970,623	1,166,776
Total	1,970,623	1,166,776

MINISTRY OF ENERGY
Reports and Financial Statements
For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 OTHER REVENUES

Description	2019-2020	2018-2019
	Kshs	Kshs
Receipts from Sales by Non-Market Establishments	352,000,000	341,725,000
Total	352,000,000	341,725,000

6 COMPENSATION OF EMPLOYEES

	2019-2020	2018-2019
	Kshs	Kshs
Basic salaries of permanent employees	236,629,045	208,361,950
Basic wages of temporary employees	11,654,911	2,644,080
Personal allowances paid as part of salary	126,109,194	199,447,391
Total	374,393,150	410,453,421

7 USE OF GOODS AND SERVICES

	2019-2020	2018-2019
	Kshs	Kshs
Utilities, supplies and services	5,595,492	8,568,008
Communication, supplies and services	11,941,694	13,496,087
Domestic travel and subsistence	60,559,326	44,947,163
Foreign travel and subsistence	5,607,232	6,995,541
Printing, advertising and information supplies & services	3,493,774	2,548,531
Rentals of produced assets	324,160	352,000
Training expenses	20,406,449	80,348,609
Hospitality supplies and services	59,547,187	39,546,812
Fuel Oil & Lubricant	18,376,877	11,402,457
Specialized materials and services	10,842,977	12,345,897
Office and general supplies and services	12,883,526	13,026,667
Other operating expenses	2,519,534,557	243,738,553
Routine maintenance – vehicles and other transport equipment	13,161,259	14,827,310
Routine maintenance – other assets	83,094,195	82,982,586
Total	2,825,368,705	575,126,221

NOTES TO THE FINANCIAL STATEMENTS (Continued)

MINISTRY OF ENERGY
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For the year ended June 30, 2020

8 GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2019-2020	2018-2019
	Kshs	Kshs
Transfers to National Government entities (SCOA Code 2630100)	1,675,000,000	1,599,360,000
Transfer to National Government entities (SCOA Code 2630200)	17,379,108,779	23,615,487,540
TOTAL	19,054,108,779	25,214,847,540

The above transfers were made to the following self-reporting entities in the year:

Description	Recurrent	Development	Total	2018-2019
	Kshs	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs				
Rural Electrification & Renewable Energy Corporation	430,000,000	3,303,000,000	3,733,000,000	2,307,600,000
Geothermal Development Corporation	574,775,400	550,000,000	1,124,775,400	1,292,775,400
Kenya Electrical Transmission Company Ltd	270,000,000	7,341,079,025	7,611,079,025	15,774,487,540
Nuclear Power & Energy Agency	400,224,600	495,000,000	895,224,600	509,984,600
Kenya Power and Lighting Company Ltd		5,455,029,754	5,455,029,754	5,295,000,000
Kenya Electricity Generating Company		200,000,000	200,000,000	
Kenya Association of Manufacturers		35,000,000	35,000,000	35,000,000
TOTAL	1,675,000,000	17,379,108,779	19,054,108,779	25,214,847,540

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 ACQUISITION OF ASSETS

Non Financial Assets	2019-2020	2018-2019
	Kshs	Kshs
Refurbishment of Buildings	13,353,469	50,596,962
Construction and Civil Works	26,705,966,270	23,223,776,955
Overhaul of Vehicles and Other Transport Equipment	757,716	2,303,272
Purchase of Office Furniture and General Equipment	24,009,196	19,999,573
Purchase of Specialized Plant, Equipment and Machinery	695,475	5,763,880
Purchase of Certified Seeds, Breeding Stock and Live Animals	59,662,550	39,110,545
Research, Studies, Project Preparation, Design & Supervision	534,570,524	468,484,865
Rehabilitation and Renovation of Plant, Machinery and Equip.	32,828,146	99,109,297
Total	27,371,843,346	23,909,145,349

10. BANK BALANCES

Name of Bank, Account No. & currency	currency		2019-2020	2018-2019
			Kshs	Kshs
Central Bank of Kenya 1000383992 Recurrent Kshs – Ps State Dept. Energy,	Kshs	Rec	830,768	8,270,441
Central Bank of Kenya 10003848007 Development Kshs – Ps State Dept. Energy	Kshs	Dev	19,962,350	5,652,838
Central Bank of Kenya 1000384018 Deposit Kshs – Ps State Dept. Energy	Kshs	Deposit	149,495,200	157,708,334
Central Bank of Kenya 1000390875 t Kshs – KEMP	Kshs	Project	33,627,958	171,297,502
Central Bank of Kenya 1000390824 Kshs – KOSAP	Kshs	Project	45,153,512	100,730,441
Total			249,069,789	443,659,556

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. ACCOUNTS PAYABLE

Description	2019-2020	2018-2019
	Kshs	Kshs
Deposits	867,958	-
Retentions	148,627,242	159,051,507
Total	149,495,200	159,051,507

This related to retention funds withheld from contractors as analyzed in Annex 5

12. FUND BALANCE BROUGHT FORWARD

Description	2019-2020	2018-2019
	Kshs	Kshs
Bank accounts	443,659,556	113,054,280
Cash in hand	4,110	-
Accounts Receivables	-	131,810,316
Accounts Payables	(157,708,334)	(93,117,256)
Total	285,955,332	159,051,507

13. PRIOR YEAR ADJUSTMENTS

	Balance b/f FY 2018/2019 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2018/2019
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	443,659,556	(13,923,279)	429,736,277
Cash in hand	4,110	-	4,110
Accounts Payables	(157,708,334)	-	(157,708,334)
Total	285,955,332	(13,923,279)	272,032,053

This amounts relates to **Kshs 8,270,441** and **Kshs 5,652,838** in Recurrent and Development bank balances respectively that were taken back to consolidated bank by the National Treasury.

14. CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Deposit and Retentions as at 1 st July 2019 (A)	157,708,334	93,117,256
Deposit and Retentions held during the year (B)	3,604,181	135,640,151
Deposit and Retentions paid during the Year (C)	(11,817,315)	(67,219,238)
Net changes in account receivables D= A+B-C	149,495,200	157,708,334

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15. RELATED PARTY DISCLOSURES

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the MINISTRY OF ENERGY.

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

Related party transactions:

	2019- 2020	2018- 2019
	Kshs	Kshs
<u>Transfers to related parties</u>		
Transfers to SCs and SAGAs	19,054,108,779	25,214,847,540
Total Transfers to related parties	19,054,108,779	25,214,847,540
<u>Transfers from related parties</u>		
Transfers from the Exchequer	20,603,611,338	26,380,901,204
Total Transfers from related parties	20,603,611,338	26,380,901,204

16. EXTERNAL ASSISTANCE

	FY 2019/2020	FY 2018/2019
Description	Kshs	Kshs
External assistance received as loans and grants for Acquisition of Assets	26,290,524,112	21,978,839,809
Total	26,290,524,112	21,978,839,809

16. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S 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	Status:	Timeframe:
1	Budgetary Performance and Control	The Management indicated that a budget Committee has been established headed by Finance Officer to ensure better absorption and the Ministry is engaging National Treasury to ensure timely release of fund.	Moses Peterson Muriuki Gitari	Resolved	N/A
2	Pending Bills	The Management indicated that pending bills formed a first charge to that 2019-2020 Financial year's budget provision.	Moses Peterson Muriuki Gitari	Resolved	N/A
3	Land Without titles	The management indicated an inter- Ministerial Committee between Ministry of Energy and Ministry of Land who are in the process of resolving the matter and that a progress report can be availed for perusal.	Moses Peterson Muriuki Gitari	Not Resolved	30 th June 2021
4	Lack of Risk Management Policies	The management indicated that it's in the process of drafting a Risk management policy document with the help of Audit Committee.	Moses Peterson Muriuki Gitari	Not Resolved	30 th June 2021
5	Lack of an Audit Committee	The management indicated that the Ministry has since advertised for the Audit Committee posts, shortlisted and interviewed the applicants and the audit Committee is now in place	Moses Peterson Muriuki Gitari	Resolved	N/A

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
6	Incomplete Fixed Asset Register	The management indicated that the Ministry is in the process of updating the Fixed Asset Register using the National Treasury Asset Register template.	Moses Peterson Muriuki Gitari	Not Resolved	30 th June 2021



Dr. Eng. Joseph K. Njoroge, CBS
 Principal Secretary



Moses Peterson Muriuki Gitari
 Assistant Accountant General
 ICPAK Member Number: 4204

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ANNEX 1 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f (Kshs)	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs)
	2018/2019				2019/2020
Land	*121,780,643				*121,780,643
Buildings and structures	1,583,803,347	13,353,469			1,597,156,816
Transport equipment	160,916,778				160,916,778
Office equipment, furniture and fittings	60,882,609	24,009,196			84,891,805
ICT Equipment	67,397,009				67,397,009
Machinery and Equipment	235,150,709,660	26,738,794,416			261,889,504,076
Biological assets	207,024,628	534,570,524			741,595,152
Certified seeds and afforestation's	3,714,347,719	59,662,550			3,774,010,269
Rehabilitation of civil works	225,928,140	1,453,191			227,381,331
Total	241,292,790,533	27,371,843,346			268,664,633,879

NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the Ministry, Department or Agency.

** The cost of this land doesn't include the value of the land for eight (8) centres across the Country with an area of 21.42 hectares valued at approximately Kshs 180.7M which were allocated to the Ministry. The National Treasury in Liaison with the Ministry of Energy is in the process of acquiring the title deeds.*

ANNEX 2 – ANALYSIS OF PENDING ACCOUNTS PAYABLE

The Ministry did not have any pending bill payable as at 30th June 2020

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ANNEX 3 – LIST OF PROJECTS IMPLEMENTED BY THE MINISTRY OF ENERGY

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
1	Kenya Electricity Modernization project	Increase access to electricity, improve reliability of electricity service and to strengthen KPLC's financial situation.	Dr. (Eng.) Joseph K. Njoroge, CBS	Yes
2	Off-Grid Solar Access project	Electrification of areas not served with electric power from national grid	Dr. (Eng.) Joseph K. Njoroge, CBS	Yes
3	Kenya Electricity Expansion Project	Increase capacity, efficiency and quality of electricity supply and expand access to electricity in Urban, Peri- Urban and Rural areas.	Dr. (Eng.) Joseph K. Njoroge, CBS	Yes

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ANNEX 4 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE MINISTRY OF ENERGY

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	Rural Electrification & Renewable Corporation	Implementation of Governments rural electrification programme through construction of rural electrification projects.	Mr. Peter Mbugua	3,733,000,000	Yes
2	Geothermal Development Corporation	Development of Steam for sale	Eng. Jared Othieno	1,124,775,400	Yes
3	Kenya Electrification Transmission Company	Transmission Of generated electricity	FCPA Fernandes Barasa	7,611,079,025	Yes
4	Nuclear Power And Energy Agency	Fast- tracking the development of nuclear power in order to enhance the production of affordable and reliable electricity	Eng. Collins Juma, MBS	895,224,600	Yes
5	Kenya Power and Lighting Company	Distribution of electric powers to consumers	Mr. Benard Ngugi	5,455,029,754	Yes
6	Kenya Association of Manufacturers	Supervision of Manufacturing Companies	Ms. Phyllis Wakiaga	35,000,000	Yes
7	Kenya Electricity Generating Company	Generation of electricity through the development, management and operation of power plants.	Mrs. Rebecca Miano, MBS	200,000,000	Yes
	Total			19,054,108,779	

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ANNEX 5- DETAIL LISTING OF ACCOUNTS PAYABLE

DATE	BENEFICIARY	AMOUNT
Deposit		
14/06/2019	A.I.A	211,975
23/03/2020	A.I.A	309,013
23/03/2020	A.I.A	36,130
30/06/2020	A.I.A	54,700
30/06/2020	A.I.A	99,780
30/06/2020	A.I.A	20,460
30/06/2020	A.I.A	31,750
30/06/2020	A.I.A	49,100
30/06/2020	A.I.A	55,050
		867,958
DATE	BENEFICIARY	AMOUNT
Retention		
29/03/2018	Bizrate	183,984
29/03/2018	Bizrate	182,652
29/03/2018	Foundation Piling	2,227,200
29/03/2018	Intergrated Forestry	52,612
29/03/2018	Kenya forest Serv. Coll	135,000
29/03/2018	Pharma Consulting	197,275
29/03/2018	Principal styles	392,154
29/03/2018	Principal styles	53,362

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29/03/2018	Principal styles	89,758
29/03/2018	Principal styles	737,592
29/03/2018	Regulator	352,000
09/05/2018	Ambe Gen Merchant	407,135
09/05/2018	RET CO.	1,423,320
29/06/2018	Sky Tech Contraction	340,000
29/06/2018	Almond Contraction	284,085
29/06/2018	Edmar Enterprises	835,200
29/06/2018	Eunivy Resources	386,795
29/06/2018	Glare Technology	103,658
29/06/2018	Go-Solar System	2,963,878
29/06/2018	Go-Solar System	2,673,038
29/06/2018	Go-Solar System	2,483,316
29/06/2018	Go-Solar System	1,901,909
29/06/2018	Go-Solar System	3,797,760
29/06/2018	Go-Solar System	996,823
29/06/2018	Kijito Wind Power	286,375
29/06/2018	Pharma Consulting	615,445
29/06/2018	Pharma Consulting	281,449
29/06/2018	Pharma Consulting	112,568
29/06/2018	Philafe Engineer	329,700
29/06/2018	Philafe Engineer	64,384
29/06/2018	Philafe Engineer	126,461
29/06/2018	Philafe Engineer	111,795

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29/06/2018	Power Point System	448,734
29/06/2018	Power Point System	185,950
29/06/2018	Power Point System	2,922,921
29/06/2018	RET CO.	3,479,290
29/06/2018	Rural Technology	775,285
30/06/2018	Bizrate	417,671
30/06/2018	Bizrate	987,057
30/06/2018	Bizrate	348,005
30/06/2018	Bizrate	945,045
30/06/2018	Black Oak	535,130
30/06/2018	Eddy Engineering	300,608
30/06/2018	Eddy Engineering	1,962,101
30/06/2018	Eunivy Resources	708,866
30/06/2018	Eunivy Resources	1,344,232
30/06/2018	Eunivy Resources	1,344,232
30/06/2018	Ezemar	552,596
30/06/2018	Fair Bank	432,164
30/06/2018	Fair Bank	1,774,769
30/06/2018	Fair Bank	296,390
30/06/2018	Fair Bank	513,005
30/06/2018	Farris Agency	1,954,175
30/06/2018	Go-Solar System	1,321,523
30/06/2018	Go-Solar System	601,739
30/06/2018	Go-Solar System	598,223

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30/06/2018	Go-Solar System	253,578
30/06/2018	Go-Solar System	507,156
30/06/2018	Go-Solar System	1,939,268
30/06/2018	Go-Solar System	1,939,268
30/06/2018	Go-Solar System	335,820
30/06/2018	Green Belt	715,058
30/06/2018	Intergrated Forestry	116,861
30/06/2018	Intergrated Forestry	17,371
30/06/2018	Kamfor Co.	311,189
30/06/2018	Lemorio	1,281,307
30/06/2018	Lemorio	1,703,533
30/06/2018	N O CO.	1,973,887
30/06/2018	N O CO.	3,947,773
30/06/2018	Pharma Consulting	218,770
30/06/2018	Pharma Consulting	84,870
30/06/2018	Power Option	320,310
30/06/2018	Principal styles	38,122
30/06/2018	Regulator	1,580,210
30/06/2018	Regulator	1,130,409
30/06/2018	Regulator	586,354
30/06/2018	RET CO.	78,081
30/06/2018	RET CO.	2,385,945
30/06/2018	RET CO.	12,230
30/06/2018	Skytech	167,058

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30/06/2018	Solarwise	1,141,865
30/06/2018	Solarwise	931,387
09/07/2018	Blakold	1,866,335
09/07/2018	Chroride oxide	1,974,813
09/07/2018	Convergent	208,979
09/07/2018	EASCO	459,336
09/07/2018	EASCO	193,690
09/07/2018	Edimar	1,088,684
09/07/2018	Edimar	2,805,612
09/07/2018	Edimar	1,028,390
09/07/2018	Elephant Const	914,450
09/07/2018	Gedi Construction	2,617,550
09/07/2018	Gedi Construction	1,924,476
09/07/2018	Glare Elect.	60,886
09/07/2018	Glare Elect.	1,309,336
09/07/2018	Go-solar	2,895,194
09/07/2018	Go-solar	3,800,619
09/07/2018	Go-solar	1,145,499
09/07/2018	Go-solar	1,410,360
09/07/2018	Go-Solar System	942,338
09/07/2018	Jowaki	30,939
09/07/2018	Kajaja	159,460
09/07/2018	Liberty	340,040
09/07/2018	Pharma	2,261,755

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09/07/2018	Pharma Consulting	1,210,000
09/07/2018	Pharma Consulting	476,282
09/07/2018	Power Option	1,902,101
09/07/2018	Power Option	770,640
09/07/2018	Power Option	230,365
09/07/2018	Power Option	609,450
09/07/2018	Power Option	2,922,921
09/07/2018	Power Option	3,020,490
09/07/2018	Power Option	900,084
09/07/2018	Power Option	725,860
09/07/2018	Power Option	911,714
09/07/2018	Power Point System	737,999
09/07/2018	Power Point System	2,016,330
09/07/2018	Power System	2,194,244
09/07/2018	Power System	1,424,415
09/07/2018	Realtech	108,006
09/07/2018	RET CO.	1,495,273
09/07/2018	RET CO.	1,013,429
09/07/2018	RET CO.	4,383,054
09/07/2018	Rukwaro	527,560
09/07/2018	Samcon	1,032,872
09/07/2018	Yasmoh	221,552
14/06/2019	Elgon Nyanza	168,363
14/06/2019	Nelliwa Builders	2,416,969

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14/06/2019	Nelliwa Builders	1,616,891
14/06/2019	Pharma Consulting	730,935
14/06/2019	Pharma Consulting	116,894
14/06/2019	Principal styles	73,649
14/06/2019	Principal styles	28,000
14/06/2019	Principal styles	115,543
23/03/2020	Byron	5,251,731
23/03/2020	Daudi	363,000
23/03/2020	Nevahtech	989,146
23/03/2020	Principal styles	1,581,664
23/03/2020	Principal styles	100,200
23/03/2020	Rwabeka	512,476
23/03/2020	Transfer	47,800
30/06/2020	Babuye	243,000
30/06/2020	Nelliwa Builders	821,935
30/06/2020	Nelliwa Builders	291,718
30/06/2020	Pharma Consulting	129,536
30/06/2020	Principal styles	324,977
30/06/2020	Rwabeka	92,650
30/06/2020	Rwabeka	740,717
Sub-Total		148,627,242
Grand Total		149,495,200



Special tower along 103km 400kV Suswa - Isinya project

- c) Other transmission projects whose works commenced in 2019/20 included; 247Km 220kV Garsen-Hola-Garissa line (0.12%), 148Km 220kV Kamburu-Embu-Kibirigwi-Thika line (1.21%) and 210Km 132kV Kenya Power Transmission Expansion project (0.26%).
- d) About 477.5Km of MV of distribution lines were added to the existing network being 55.3Km from L&T contractors, 113.96Km from Turnkey contractors, and 277.7 Km from Kenya Expansion and Modernization Project (KEMP) last mile project and 30.5Km from CC.

2. Rural Electrification

During the 2019/20 FY:

- a) The number of new customers connected to the electricity was increased by 500,397;
- b) Nine (9) new and upgraded sub-stations were completed. Among those energized included, Kagumo, Kiamutugu, Aldai and Kapsowar;
- c) About 13,679 street lighting points were installed across the country.
- d) The number transformers were installed in constituencies under the installation of transformers in constituencies Programme increased by 163.
- e) New public primary schools connected to electricity incased by 77- nine (9) through grid and 68 through solar. In addition, 204 other public facilities were connected to electricity;
- f) Seven (7) mini grids solar hybrid projects were completed and commissioned in off-grid areas.
- g) Maikona and Sololo Isolated Diesel Stations were completed and commissioned



Installation of high mast in Lwanda Market

C. Alternative Energy Technologies

1. Construction of Domestic (household) Biogas demonstration units

Given the rising expectations for substitution of fossil fuel energy with renewable energy as one of the solutions to mitigate climate change, the Ministry undertook and completed construction of 66 domestic digesters as well as completed the procurement process that ended with award of construction contracts for 177 domestic (household) biogas digesters in various potential counties in the country. Due to the effects of COVID 19 Pandemic, the constructions of the 177 were delayed and were rescheduled to start in July, 2020.

2. Development of National Bio-energy Strategy and National Energy Efficiency and Conservation Strategy

Preparation of the National Bio-energy Strategy and National Energy Efficiency and Conservation Strategy were finalized.

3. Hydropower dams Water catchment area re-afforested and maintained

About 200ha of new hydro dam catchment areas were planted with trees seedlings in Nchura & Mweru Hills in Meru and Enoosupukia in Narok. 150ha of the existing hydro dam catchment areas was maintained.

4. Investment Grade and General Audits to reduce energy consumption by 10-30%.

Twenty-two (22) investment grade audits were conducted which are aimed at reducing energy consumption wastage by 10-30%.

D. Challenges

- a) Acquisition of sites, wayleaves and land posed a major challenge. This was because of escalating cost of land acquisition due to speculations, compensation variations between the market value and the local owner's expectations and encroachment of land earmarked for development purpose causing project delays and increased costs of projects.
- b) Vandalism of infrastructure facilities creating additional cost for maintenance and restoration.
- c) Inadequate funding and budget austerity measures which negatively affected project implementation.
- d) Effects of COVID-19 resulted to suspension of works in most project sites. It also delayed factory acceptance tests and shipment of materials.
- e) Suspension of works due to contractor facing liquidity challenges delayed project progress.
- f) Delay in the delivery of LED lantern delayed completion of street lighting projects.
- g) Delays in delivery of the meters by the contracted supplier affected implementation of the AfDB phase II connectivity project.
- h) Delay in issuance of specific tax exemptions resulting to lengthening of clearance of materials at the ports.
- i) Government policy on logging affected the supply of wooden poles resulting to delays in project implementation.
- j) Delay in budget approval affected the project progress.
- k) Non-responsiveness of some tenders affected commencement of some projects.

E. Mitigation Measures and way-forward

- a) Public education; engaging national and county government and other public bodies; and undertaking due diligence on the projects to minimize right of way challenges. Conflict resolution mechanisms should be enhanced.
- b) To deal with vandalism there is need for punitive legislation to guard against vandalism, apply anti-vandalism technology, sensitise local communities on protecting/policing power infrastructure and establishment of security intelligence system and community informers' frameworks.
- c) Installation of security alarm and surveillance systems in all power infrastructure projects including substations and strategic points along the major transmission lines and networks will minimize security threats. Security arrangements should be enhanced.

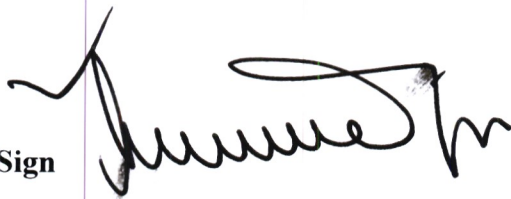
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- d) There is need to review Public Financial Management (PFM) Act, 2012 and the regulations to increase efficiency in disbursements.
- e) Lobbying National Treasury and National Parliament and Development Partners for more budgetary allocations is required.
- f) New business models e.g. formation of subsidiaries for off balance sheet financing need to be explored. Diversification of revenue sources need also to be relooked.
- g) To enhance capacity there is need to fast-track completion of National Centers of Excellence and also relook on capacity building programs such as benchmarking and partnerships

F. Emerging Issues

- a) Covid-19 which changed means of monitoring the progress of the projects and also the project implementations.
- b) Security threats of key infrastructure installations.
- c) Regional economic integration resulting to growth of regional power trade and taxation of cross-border exchanges.
- d) Climate change related issues towards production of coal energy.
- e) Inadequate legal frameworks to guide community participation coupled with divergent interest among the communities affected by the projects.

Sign



CABINET SECRETARY

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3. STATEMENT OF PERFORMANCE AGAINST MDA'S PREDETRMINED OBJECTIVES

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the MDA's 2018-2022 plan are to:

1. Universal access to electricity by 2022 through grid and off grid solutions
2. Universal access to modern household energy by 2030
3. Promote indigenous energy resources for industry using modern technology
4. Ensure adequate, reliable and secure electricity system
5. Increase share of clean and renewable energy for environmental sustainability
6. Create enabling environment for energy development and consumption

Progress on attainment of Strategic Development Objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

SNO	Ministry of Energy Programmes	Objective	Outcome	Key Performance Indicator	Performance 2019/20 FY
1.	Power Generation	To increase power supply through power generation	Adequate power supply	MW of power generated and added to the grid	161.6MW-158MW from Olkaria V and 3.6MW from KTDA power projects.
				Cumulative % completion of generation power plants	<ul style="list-style-type: none"> • 165.4MW Olkaria V moved from 92% to 100% • 83.3MW Olkaria I Unit 6 moved from 42% to 60%

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SNO	Ministry of Energy Programmes	Objective	Outcome	Key Performance Indicator	Performance 2019/20 FY
					<ul style="list-style-type: none"> 140MW Olkaria VII PPP moved from 13% to 20% 50.7MW Olkaria I Rehabilitation moved from 17% to 18.5%.
				Number of geothermal wells drilled	Three (3) wells- Two (2) in Bogoria –Silali and one (1) in Menengai
				MWe brought on board	4.3MWe- from Bogoria-Silali geothermal fields
				Number of Policy, Legal and Regulatory Framework and strategies for the Nuclear Power Programme	<ul style="list-style-type: none"> Draft National Nuclear Policy prepared and Nuclear Regulatory Act No.29 of 2019 enacted Land acquisition strategy, Site Characterization Strategy and Quality Assurance Program for siting for the best site were developed.
2.	Power Transmission and Distribution	To increase electricity access to more customers	Increased access to electricity	Km of transmission lines constructed Number of distribution sub-station constructed and upgraded Km of distribution lines constructed Number of new customers connected to electricity Number of street lighting points installed	172.6Km from various transmission lines 9- Kagumo, Kiamutugu, Aldai and Kapsowar sub-stations energized 447Km 500,397 13,679

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SNO	Ministry of Energy Programmes	Objective	Outcome	Key Performance Indicator	Performance 2019/20 FY
				Number of constituency transformers installed	163
				Number of off-grid stations constructed	Seven (7) mini grids solar hybrid and two (2) isolated diesel stations
				No. of Public Facilities Connected with Electricity	281-77 Primary schools and 204 other public facilities
3.	Alternative Energy Technologies	To Increase access to clean alternative energy sources	Increased access to clean alternative energy sources	Number of domestic (household) Biogas demonstration units constructed	66 domestic digesters
				No. of hectares of hydro dams water catchment areas planted with trees	200ha of new hydro dams catchment areas were planted with trees seedlings and 150ha of the existing catchment areas was maintained.
				Number of strategies on alternative energy technologies developed	National Bio-energy Strategy and National Energy Efficiency and Conservation Strategy were finalized
4.	General Administration Planning and Support Services	To enhance service delivery to the customers	Efficient service delivery	Number of policies, strategies and regulations developed	Various policies and regulations to guide implementation of Energy Act, 2019 were under review and development.

4. SOCIAL RESPONSIBILITY /SUSTAINABILITY REPORTING STATEMENT

1. Sustainability strategy and profile

The Ministry is committed to promoting sustainable environmental management and utilization of natural resources to generate socio- economic benefits. Measures were put in place in 2019/20 to ensure sustainable energy resource management. Among them include: Implementation of the Energy Act 2019 through development and review of various regulations (in draft form) that guides on sustainable utilization of the energy resources; Formulation of the Kenya Energy Efficiency and Conservation Strategy and Bio-energy strategy (which aims at promote the development and utilization of bio-energy resources in Kenya in a sustainable manner) both of which are at draft stage; among others. Other strategies put in place included protection of riparian land and reforestation of hydro dam catchment areas through direct involvement and also supply of seedlings to the communities living in project areas.

2. Environmental performance

The Energy Act 2019 emphasizes the need to protect the environment and to conserve the natural resources in accordance with relevant national and international laws and policies. It also emphasizes the importance of implementation of the projects without causing harm or damage to the environment or property. Strategic Environment Assessment and Social Impact Assessment (ESIA) have always been carried out in accordance with the Environmental Management and Coordination Act before major projects are implemented.

The Ministry is also committed to promoting sustainable environmental management and utilization of natural resources to generate socio- economic benefits. To enhance this, it participated in reforestation of hydro dam catchment areas and other projects areas such as Tana, Sondu Miriu, Menengai etc and also supported communities in resource management through provision of tree seedlings for planting and reforestation in their farms.

3. Employee welfare

The policies that guides the Ministry on recruitment includes: PSC Recruitment and Selection Policy; Delegation of PSC HRM Functions to the Cabinet Secretary, July,2018; Framework for Short Term Employment in the Public Service, May,2019; and Human Resources Policies and Procedure Manual for the Public Service, May,2016. This enabled the Ministry to promote common cadre under the delegated powers as guided by the policy taking into consideration gender and regional balance.

For skill improvements and career progression the Ministry is guided by Human Resource Development Policy for the Public Service, June, 2015 and Guidelines on Managing Training in the Public Service. This enabled the Ministry to conducts individual trainings programmes required for career progression/promotion and those required in the Schemes of Service for various cadres and also group trainings for various cadres.

The Ministry ensured that all staffs were put on Performance Appraisal System (PAS) as guided by guidelines for Implementation of Performance Rewards and Sanctions in the Public Service and also Performance Rewards and Sanctions framework.

The Ministry has developed its own Occupational Safety and Health Policy with reference to made Occupational Safety and Health, ACT of 2007. A Ministerial Committee on Occupational Safety and Health is in place which ensures adherence to OSHA and safety and security of the staff and Ministry properties.

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4. Market place practices

The Energy Act 2019 empowers Energy and Petroleum Regulatory Authority in section 10 (m) to monitor in consultation with the Competition Authority of Kenya condition of contractors' operations and their trade practice. In section 10 (b) the authority is mandated to ensure and facilitate competition, access and utilization of facilities by third parties. With regard to these legal mandates, the Authority analyses the level of competition by computing the Herfindahl-Hirschman Index (HHI) for electricity and petroleum sector. The index provides a measure of the size of firms in relation to the industry and an indicator of the amount of competition among them.

Section 10 (h) of the Energy Act, 2019 mandates EPRA to protect consumer, investor and other stakeholders' interest. The Authority in collaboration with the Ministry put in place measures to protect citizens and stakeholders with regard to consumption and investments of energy and petroleum goods and services.

The Ministry continued to engage the Independent Power Producers (IPPs) in the power generation.

5. Community Engagements

The Ministry has been carrying out the following measures to enhance acceptance of the projects by the communities around the project area;

a) Protection of the Marginalized

The Ministry connected power to the high density areas including the slums in various parts of the country. It also continued to expand grid to arid and semi-arid areas in addition to off-grid connections through solar and wind.

In addition the Ministry was at forefront in provision of the necessary infrastructure and resources to the marginalized communities during the 2019/20 year. The following were provided;

- Construction of two water boreholes in Yoonye and Kateiko areas of Mui Coal Basin;
- Provision of raw and portable water for livestock and domestic use by L. Baringo-Silali Community Water Supply System in north rift;
- Provision of water holding tank for distribution to various communities and institutions in project areas; Construction of a standard ECD classroom in Kibenos in north rift;
- construction of new classrooms and infrastructure rehabilitations in Voondeni Primary School in Machakos County, St. Mary's Girls Secondary School in Nakuru County, Mwea Primary School in Embu and Turkwel Gorge Mixed Secondary school as well as provision of books;
- Contribution towards fight against COVID 19 through COVID 19 Emergency Response Fund and provision of ambulance services to Bahati Sub-County Hospital in Nakuru County; Sponsoring activities of the Nyeri Hospice which offers homebased and outpatient palliative care services to patients with life limiting diseases such as Cancer and HIV/AIDS; distribution of beds and beddings in West Pokot and Turkana;
- Contributions to help alleviate the suffering of the flood victims through disaster relief drive organized by energy sector players.

b) Participation of the People

The Ministry and its Agencies put in place mechanism for engagement of the people during project implementation. Among them includes operationalization of Stakeholders Coordination Committees and rolling out of community engagement strategy and policy.

In addition the Ministry continued to ensure that local communities were considered for jobs during the implementation of the energy projects. Local communities were also involved during documentations of Resettlement Action Plan (RAP) and Environmental and Social Impact Assessment (ESIA). Also the Ministry reached the people through participation in the annual ASK shows and community relation outreach programs.

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5. STATEMENT OF MINISTRY'S MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Ministry of Energy is responsible for the preparation and presentation of the Ministry's financial statements, which give a true and fair view of the state of affairs of the Ministry for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Ministry; (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 Ministry; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the Ministry of Energy accepts responsibility for the Ministry's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the Ministry's financial statements give a true and fair view of the state of Ministry's transactions during the financial year ended June 30, 2020, and of the Ministry's financial position as at that date. The Accounting Officer in charge of the Ministry of Energy further confirms the completeness of the accounting records maintained for the Ministry, which have been relied upon in the preparation of the Ministry's financial statements as well as the adequacy of the systems of internal financial control.

The Accounting Officer in charge of the Ministry of Energy confirms that the Ministry has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the Ministry's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the Ministry's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Approval of the financial statements

The Ministry's financial statements were approved and signed by the Accounting Officer on 21-9- 2020.



Dr. Eng. Joseph K. Njoroge, CBS
Principal Secretary



Moses Peterson Muriuki Gitari
Assistant Accountant General
ICPAK Member Number: 4204

b) Olkaria I Unit 6 (83.3MW)

The project progress was moved from 42% to 60%. Construction works that involved steam field and power plant works continued during the year. Engineering design of the main equipment was concluded. Procurement of equipment (generator and turbine) was ongoing at the end of the FY with major equipment (turbine, condenser, and Generator) having been shipped into Kenya.



Olkaria 1 Unit 6 – Power plant substructure

c) Olkaria VI PPP (140MW)

Development and review of RFQ documents and procurement plan was completed. The PPP Committee granted approval of the RFQ document on 31st October 2019. It was advertised on 5th November 2019 and evaluation concluded on 13th March 2020.

d) Olkaria I Rehabilitation (50.7MW)

The EPC tender was closed on 26th November 2019. Technical evaluation was carried out from 2nd to 16th December 2019 and report submitted to JICA for No Objection. Financier's Concurrence was still pending. The National Treasury and Planning granted approval of the project on 6th December 2019.

e) Drilling of Geothermal Wells

During 2019/20 FY three (3) wells namely; PW 02, PW 03, in the North Rift and MW 35A in Menengai were drilled to completion. This increased the number of wells drilled to fifty-three (53) wells in both Menengai and Bogoria – Silali field.



Drilling of Wells at Korosi in Baringo-Silali Geothermal Fields

f) Increase steam available for Geothermal Power Production

The steam available increased by 4.3 Mw. This was realized from PW 01 in Baringo-Silali geothermal field. Most of the wells drilled were still heating up in readiness for measurement at the end of the year.

g) Repair and Maintenance of Menengai & Baringo-Silali Project Infrastructure (Roads & Water line)

15KM and 35KM of access roads in Menengai and Baringo-Silali respectively were graded. Routine operations and maintenance works of water pipelines, pumps, and boreholes in Menengai and Baringo-Silali was also done.



A section of road network in Baringo-Silali Geothermal Fields7

3. Nuclear Power Development

a) Policy, Legal and Regulatory Framework for the Nuclear Power Programme

The following activities were undertaken:

- a) Draft National Nuclear Policy was submitted to IAEA for review; and
- b) The Nuclear Regulatory Bill 2017 Bill was enacted into law - the Nuclear Regulatory Act No.29 of 2019. It provides a framework for the institutional building of the newly established nuclear regulatory body.

b) Nuclear Site and Supporting Facilities

Land acquisition strategy, Site Characterization Strategy and Quality Assurance Program for siting for the best site were developed.

c) Nuclear Research Reactor

Feasibility study for the Research Reactor Programme commenced.

d) Environmental Protection

The following were undertaken:

- a) The draft national environmental impact assessment framework for nuclear power plants was reviewed;
- b) A national workshop by IAEA in Kenya on environmental assessment scoping as regards the nuclear power project was implemented;
- c) Recommendation for the appropriate framework for Environmental assessment of Nuclear Power Plants (NPPs) in Kenya were developed; and

e) Human Resource Development Nuclear Power Programme

Four (4) members of the Site Selection Team (SST) and Research Reactors (RR) team were trained. Three (3) members of staff were also trained on Industrial Involvement. Negotiations for scholarships for three (3) students for Masters Studies abroad on nuclear related courses were also finalized.

B. Power Transmission and Distribution

1. National Grid Expansion and Upgrade

- a) During the 2019/20 FY the following transmission lines and associated sub-station progressed as indicated:
- i. 58Km of the 138Km 220kV Turkwel – Ortum-Kitale transmission line was constructed.
 - ii. 39.6Km of the 290Km 400/220 kV Olkaria-Lessos-Kisumu transmission line was constructed.
 - iii. 30Km of 612Km 500HVDC Eastern Electricity Highway (Ethiopia-Kenya) transmission line was constructed.



Loop in Loop Out (LILo) towers at Ortum substation of 138km 220kV Turkwel – Ortum – Kitale project

- b) Progress of other transmission lines was increased as follows;
- i. 96Km 132kV Isinya-Namanga line and associated sub-stations from 41.4% to 52.9%.
 - ii. 96Km 400kV Kenya-Tanzania line and associated sub-station from 35.4% to 62.4%.
 - iii. 400kV Mariakani sub-station from 5% to 14.2%
 - iv. 96Km 132kV Nanyuki-Isiolo-Meru line from 68% to 71%.
 - v. 431Km 132kV Power Transmission System Improvement projects from 70% to 81.3%