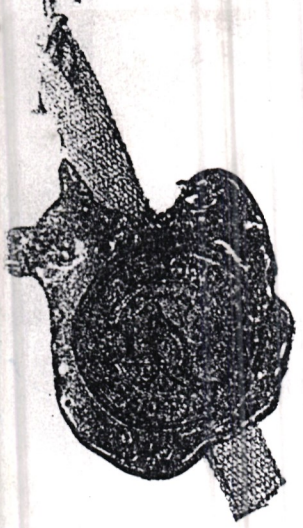


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REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE ACCOUNTS  
OF ELECTRICITY REGULATORY BOARD FOR THE YEAR ENDED 30 JUNE  
2000

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**REPORT OF THE AUDITOR GENERAL (CORPORATIONS) ON THE  
ACCOUNTS OF ELECTRICITY REGULATORY BOARD FOR THE YEAR  
ENDED 30 JUNE 2000**

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I have examined the Accounts of Electricity Regulatory Board for the year ended 30 June 2000 in accordance with the provisions of Section 29 (2) of the Exchequer and Audit Act, (Cap 412). I have obtained all the information and explanations required for the purpose of the Audit. Proper books of account have been kept and the Accounts are in agreement therewith and comply with the Electric Power Act, No. 11 of 1997.

In my opinion, and subject to the matters set out herebelow, the Accounts, when read together with the Notes thereon, present fairly the Board's financial state of affairs as at 30 June 2000 and of its profit and cash flows for the year then ended.

**1. IRREGULAR PAYMENT OF SALARY AND ALLOWANCES TO THE  
BOARD CHAIRMAN**

During the year 1999/2000, the Board paid its non-executive Chairman a salary and other allowances including house, security, domestic help, entertainment, medical and sitting allowances, all totalling Kshs.4,043,242 as at 30 June 2000. The Board also paid a tax equalization allowance to the Chairman totalling Kshs.577,800 as of the same date. In addition, the Board spent a total of Kshs.173,000 on a mobile telephone for the Chairman for which no expenditure limit had been set while the Chairman was also provided with official transport for daily use at the expense of the Board. Except for honorarium of Kshs.40,000 per month and a sitting allowance of Kshs.10,000 per sitting, no specific Government approval for payment of the other emoluments was seen. Further, and apart from the fact that the non-taxation of the benefits paid to the Chairman clearly represents a breach of the Income Tax law, the payment of a monthly salary to a non-executive Chairman together with other allowances not specifically approved by Government is considered highly irregular.

**2. OTHER BOARD MEMBERS**

Members of the Board, other than the Chairman, were paid a total of Kshs.7,800,000, net of tax during the year 1999/2000. The tax that ought to have been deducted from each Board member's monthly and other taxable allowances including sitting allowances was not so deducted but was instead directly borne and paid by the Board and amounted to Kshs.2,879,068 as at 30 June 2000. Each Board member was paid a monthly allowance of Kshs.50,000 in addition to travelling and sitting allowances of Kshs.10,000 and Kshs.25,000 respectively. Out of the Board members' expenditure of Kshs.7,800,000 reflected on these Accounts, a total of Kshs.3,930,000 was incurred on travelling and accommodation allowances for Board members who reside in Nairobi even when there was no information to confirm that such Board members travelled or were accommodated in relation to the Board meetings for which the claims were made. Accordingly and in view of the foregoing, it has not been possible



to confirm the propriety of most of the expenditure of Kshs.7,800,000 incurred in connection with members of the Board during the year under review. Moreover, the Board paid three public officers sitting, travelling and accommodation allowances totalling Kshs.1,890,000 contrary to provisions of Section 10 (1) of the State Corporation Act (Cap 446).

### 3. PROCUREMENT OF GOODS AND SERVICES

During the year 1999/2000, the Board irregularly procured insurance and other services through single sourcing and without specific approval of Government as required by Government policy guidelines. The Board spent a total amount of Kshs.1,089,006 on insurance for its assets during the year under review, an amount which was paid to a brokerage firm, in which, according to available information, a member of the Board had ownership interest. The broker firm subsequently paid the insurance premiums to the Insurance Company but after deducting its commission. It is not, however, clear as to how the brokerage firm was identified for contracting in the absence of any open competitive tendering. The Board has also not explained why it could not obtain insurance services directly so as to avoid payment of brokerage fees. The Board also spent a total of Kshs.2,547,454 on media advertising which was organized through an agent firm which was also similarly connected to a Board member. A commission of Kshs.115,621 was paid to the agent. Had the Board dealt directly with the media companies, a saving of the amount of Kshs.115,621 paid to the agent, may possibly have been made.

### 4. BUDGETARY CONTROL

During the year 1999/2000, the Board spent a total of Kshs.76,949.623 to finance its various operations as at 30 June 2000. Although Section 11 (1) of the State Corporations Act (Cap 446) requires State Corporations to submit their Estimates of revenue and expenditure to the Treasury for prior approval, there is no evidence that such approval was ever sought or obtained. Accordingly and in the absence of any such evidence, it has not been possible to confirm the propriety of the total expenditure of Kshs.76,949.623 reflected in these Accounts.

  
S. M. MALUKI  
AUDITOR GENERAL (CORPORATIONS)

05 July 2001



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## **ELECTRICITY REGULATORY BOARD**

### **BOARD MEMBERS REPORT**

**FOR THE YEAR ENDED 30TH JUNE, 2000.**

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The Board Members have pleasure in presenting their report together with the financial statements for the year ended 30<sup>th</sup> June 2000 in accordance with section 122 of the Electric Power Act 1997 and section 14 of the State Corporations Act (Chapter 446 of the Laws of Kenya).

#### **Principal Activities**

The Principal activity of the Board continues to be the regulation of generation, transmission and distribution of electric power in Kenya.

#### **Results**

The Board made an operating surplus of Kshs 45,512,587 during the year compared with Kshs 54,506,210 during the previous year.

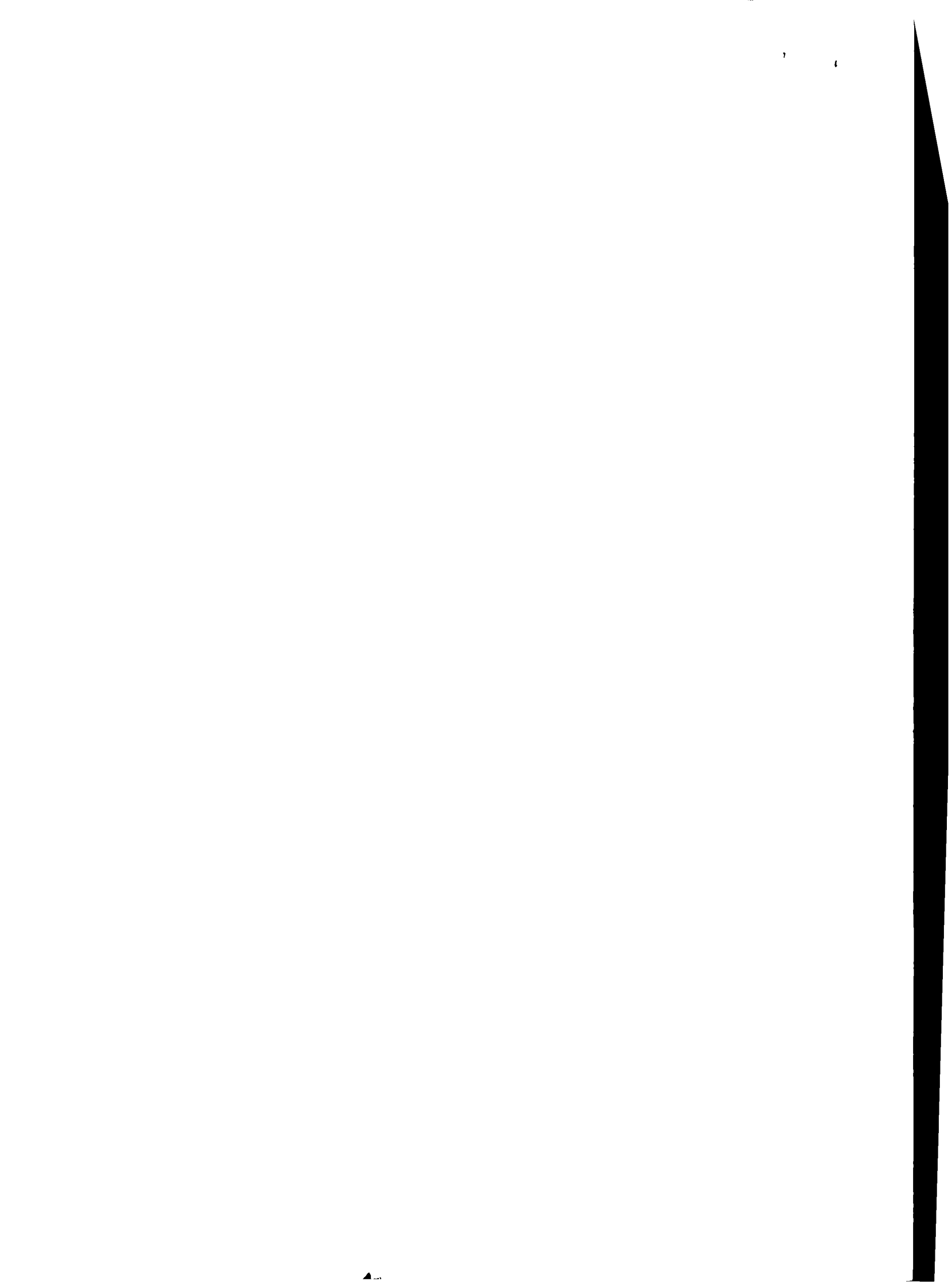
The surplus is attributable to the fact that the Board did not implement all its planned activities during the financial year.

The Board intends to apply the surplus in furthering its objectives in subsequent periods.

#### **Board Members**

The Board Members who held office during the year were as follows:

Mr. Moses M. Wetangula	( Chairman)
Hon. Joseph J. Mugalla	
Professor F.J.Gichaga	
Mr. K. Arap Korir-Bett	
Mr. Dalmas A.Otieno	
Mr.Chris D. Groom	
Ambassador Mwanyangella Ngali	(Permanent Secretary, Ministry of Energy )



The Board Members who were in Office as at the date of this report are as follows:

Mr. Jeremiah K. Murithi	( Chairman)
Mrs. Phyllis Kandie	
Mr. Wilfred Murungi	
Gen. (Rtd) M.J.S. Chhatwal	
Mr. Ernest C.A. Saina	
Prof. Wilfred Mwangi	(Permanent Secretary, Ministry of Energy)
Mr. Michael Kigen	(Alternate to the Permanent Secretary, Ministry of Energy)

### **Auditors**

The Auditor General Corporation continues to be in office in accordance with Section 14(3) of the State Corporations Act( Chapter 446 of the Laws of Kenya) and Section 29(1) of the Exchequer and Audit Act( Chapter 412 of the Laws of Kenya).

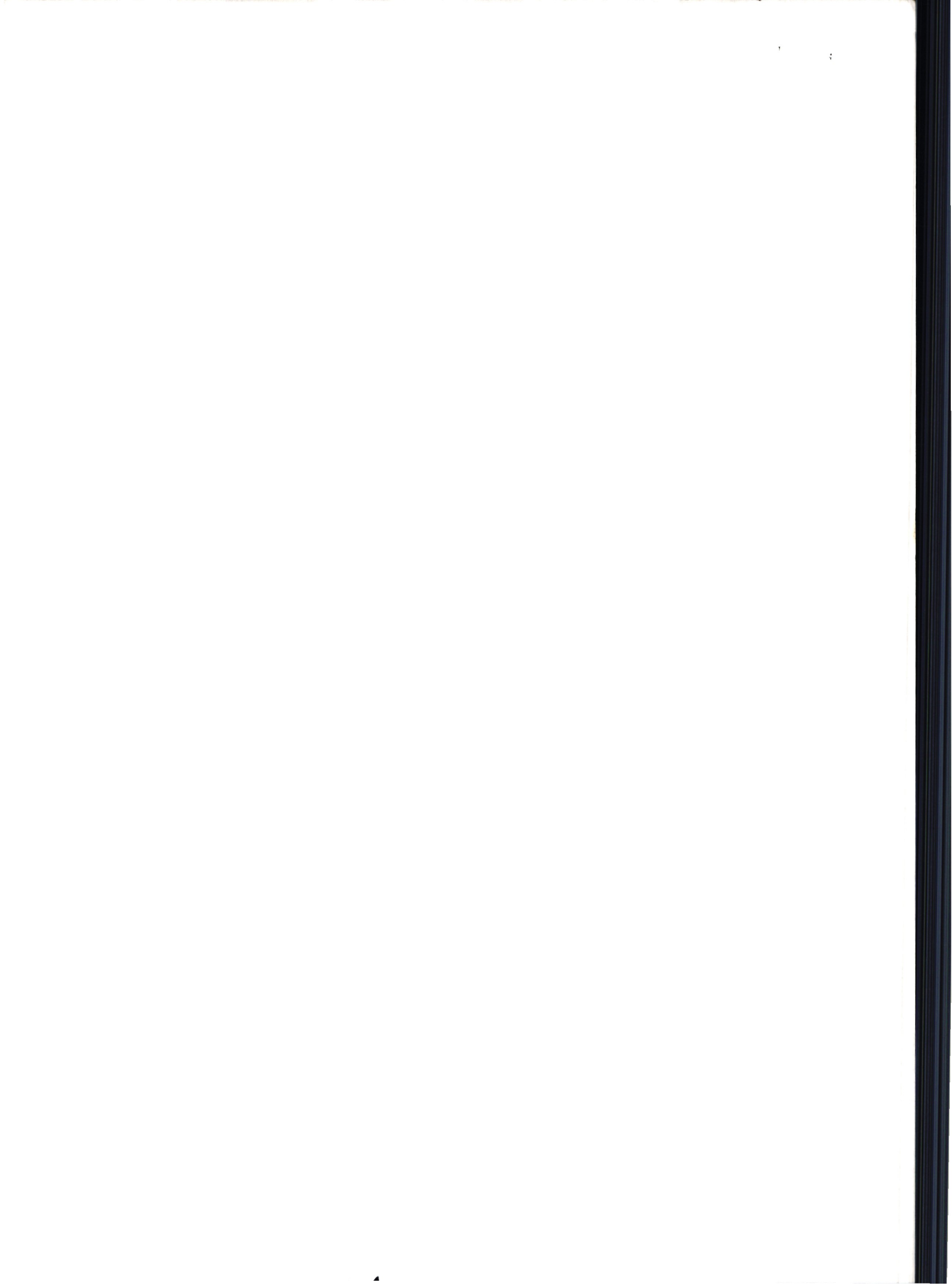
### **Approval of Financial Statements**

The financial statements were approved at a meeting of Board Members held on 11th September,2001.

### **By Order of the Board**

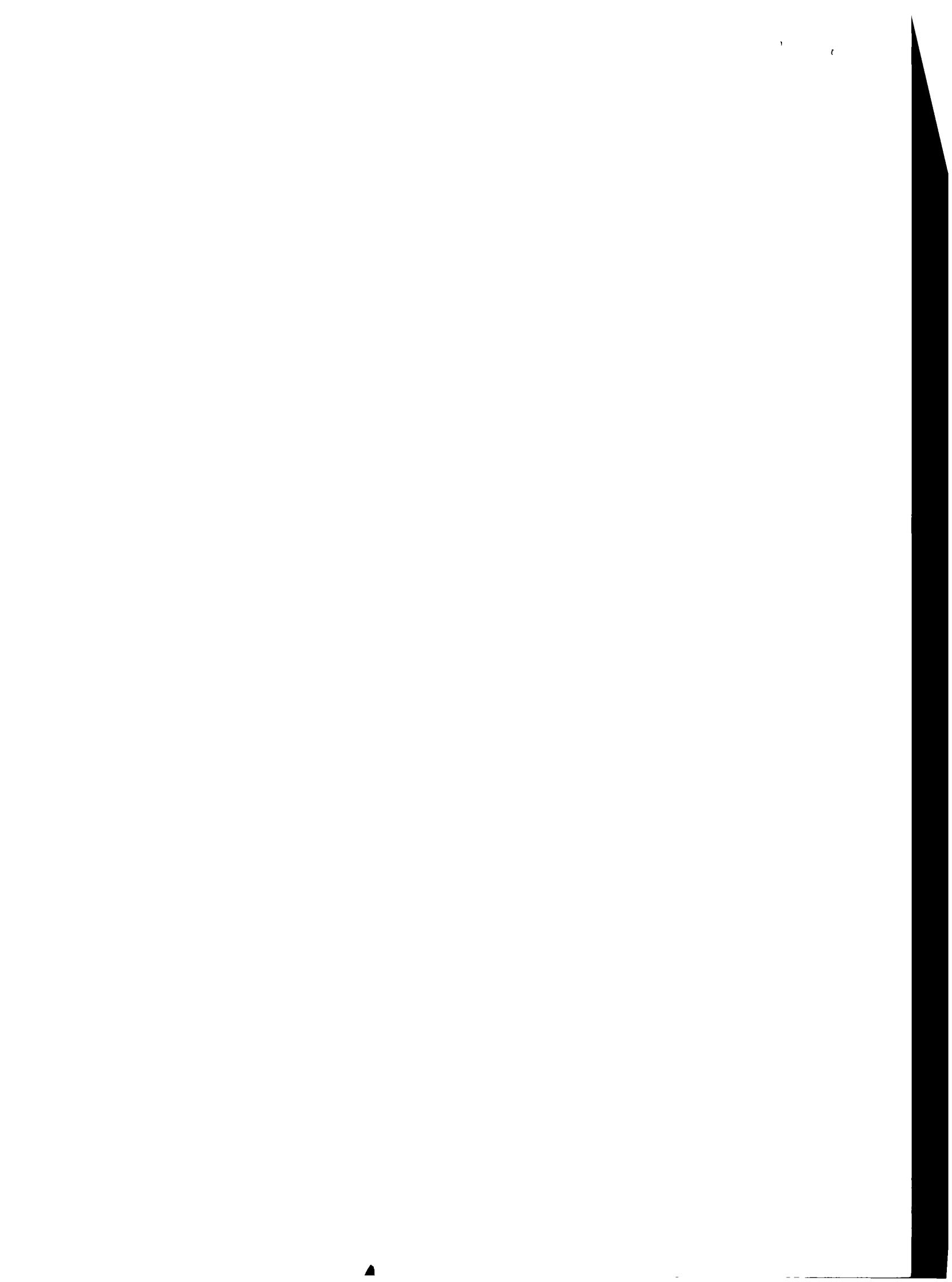


Dr. K. K. Kariuki  
Ag. Board Secretary  
Nairobi, Kenya  
11<sup>th</sup> September,2001



**ELECTRICITY REGULATORY BOARD**  
**INCOME & EXPENDITURE**  
**FOR THE YEAR ENDED 30TH JUNE 2000**

	Note	1999/2000	1998/1999
<b>INCOME</b>			
		<u>KSHS</u>	<u>KSHS</u>
ERB LEVY		114,704,561	91,461,922
INTEREST	2	3,654,106	1,423,227
LICENSE FEES		500,000	-
<b>TOTAL INCOME</b>		<u><b>118,858,667</b></u>	<u><b>92,885,149</b></u>
<b>EXPENDITURE</b>			
BOARD MEMBER'S EXPENSES	3	20,795,048	19,569,547
STAFF SALARIES, BENEFITS & TRAINING	4	28,498,360	4,919,234
OFFICE SUPPLIES & EXPENSES	5	1,701,235	1,163,686
TRANSPORT & TRAVEL EXPENSES	6	2,975,545	1,384,939
PUBLIC RELATIONS/CONSUMER SERVICES	7	3,673,333	545,796
UTILITIES	8	1,077,958	268,268
OFFICE RENT & OFFICE SERVICES	9	5,492,546	3,765,642
CONSULTANCY & OTHER SERVICES	10	424,703	615,200
DEPRECIATION CHARGES	11	8,707,353	6,146,627
<b>TOTAL EXPENDITURE</b>		<u><b>73,346,080</b></u>	<u><b>38,378,939</b></u>
<b>SURPLUS/( DEFICIT) FOR THE YEAR</b>		<u><b>45,512,587</b></u>	<u><b>54,506,210</b></u>



# ELECTRICITY REGULATORY BOARD

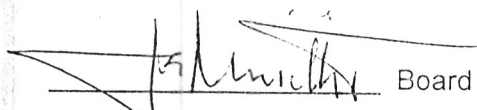
## BALANCE SHEET

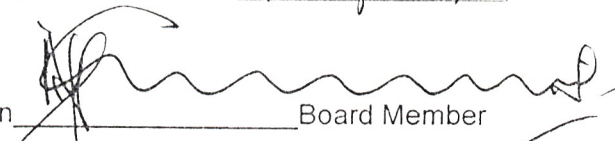
AS AT 30TH JUNE 2000

	Notes	2000 KSHS	1999 KSHS
NET FIXED ASSETS	1(c) & 11	36,419,588	41,523,404
<b>CURRENT ASSETS</b>			
Debtors	12	10,486,220	2,640,997
Sundry Debtors and Deposits	13	688,980	614,770
Short Term Deposits	14	40,000,000	35,000,000
Bank Balances	15	15,387,149	7,155,691
Cash at hand		50,000	50,000
		<b>66,612,349</b>	<b>45,461,458</b>
<b>CURRENT LIABILITIES</b>			
Creditors	16	-	30,000,000
Accruals	17	3,013,140	2,478,652
		<b>3,013,140</b>	<b>32,478,652</b>
NET CURRENT ASSETS		63,599,209	12,982,806
NET ASSETS		<b>100,018,797</b>	<b>54,506,210</b>
<b>FINANCED BY:-</b>			
GENERAL FUND:			
SURPLUS FOR THE YEAR		45,512,587	54,506,210
BALANCE B/F		54,506,210	-
		<b>100,018,797</b>	<b>54,506,210</b>

The notes on page 6 to 10 form an intergral part of this financial statements.

The financial statements were approved for issue by the Board on Date 11th September, 2001 and were signed on it's behalf by:

  
\_\_\_\_\_  
Board Chairman  
Mr. J.K. Murithii

  
\_\_\_\_\_  
Board Member  
Gen. (Rtd) M.J.S. Chhatwal



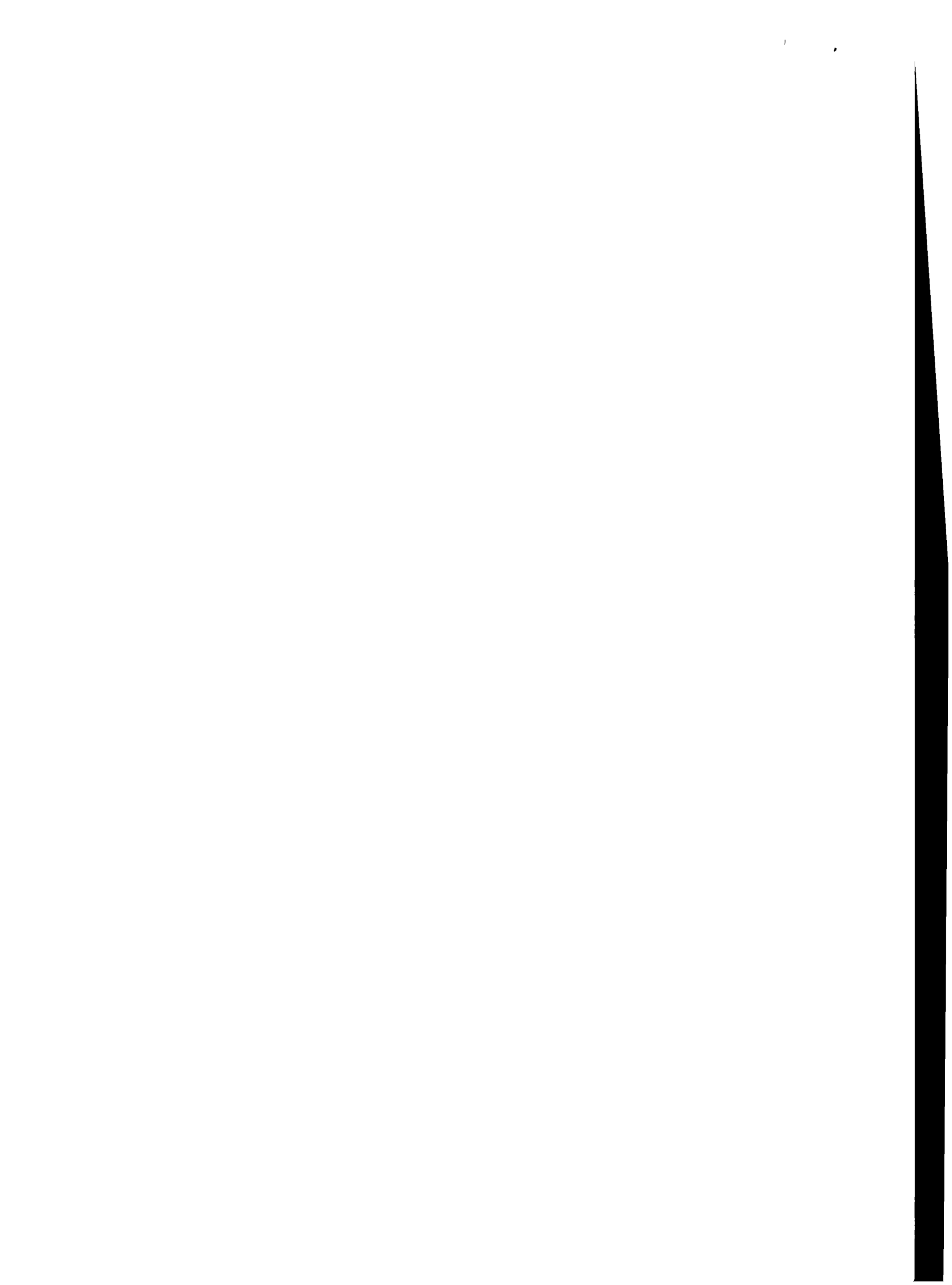
# ELECTRICITY REGULATORY BOARD

## CASHFLOW STATEMENT

FOR THE PERIOD ENDED 30TH JUNE 2000

	Note	2000	1999
		KSHS	KSHS
<b>Cashflow From Operating Activities:</b>			
Net Surplus from Operations		45,512,587	54,506,210
Adjustments:			
Depreciation		8,707,353	6,146,627
Operating Surplus Before working capital changes		54,219,940	60,652,837
Increase in Debtors		(7,845,224)	(2,640,997.0)
Increase in Sundry Debtors		(74,210)	(614,770.0)
Increase/(Decrease) in Creditors		(30,000,000)	30,000,000
Increase in Accruals		534,488	2,478,652
Cash generated from Operations		<u>16,834,994</u>	<u>89,875,722</u>
Investing Activities Activities:			
Purchase of Fixed Assets		(3,603,537)	(47,670,031.0)
Net Cash Outflow from Investing Activities		<u>(3,603,537)</u>	<u>(47,670,031.0)</u>
Net Increase in Cash & Cash equivalents		13,231,458	42,205,691
Cash & Cash Equivalents at the beginning of the Period		42,205,691	0
Cash & Cash Equivalents at the end of the Period	18	<u>55,437,149</u>	<u>42,205,691</u>

The notes on page 6 to 10 form an intergral part of this financial statements.



## Notes to the Accounts

### 1. Significant Accounting Policies

#### (a) Basis of Accounting

The accounting statements are prepared with and comply with International Accounting Standards.

The Accounts have been prepared under the historical cost convention.

#### (b) Income Recognition

Income is recognised when received.

#### (c) Fixed Assets and Depreciation

Fixed Assets are stated at Cost less Accumulated Depreciation.

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

The Depreciation rates used are as follows.

Motor Vehicle	25%
Furniture	12.5%
Computer Equipment	30%
Equipment	12.5%

#### (d) Taxation

No provision has been made for Income Tax.

An application for exemption from taxation has already been made under section 31 of the Income Tax Act (CAP 470).

The exemption is expected to be granted.

#### (e) Retirement Benefits

The Board operates a defined contribution pension scheme for all its employees. The scheme is administered and is funded from contributions from both the Board and employees.

The Board also contributes to a statutory defined contribution plan, National Social Security Fund. The contributions are determined by local statute and are currently limited to Kshs 80 per employee per month.

#### (f) Cash and cash equivalents.

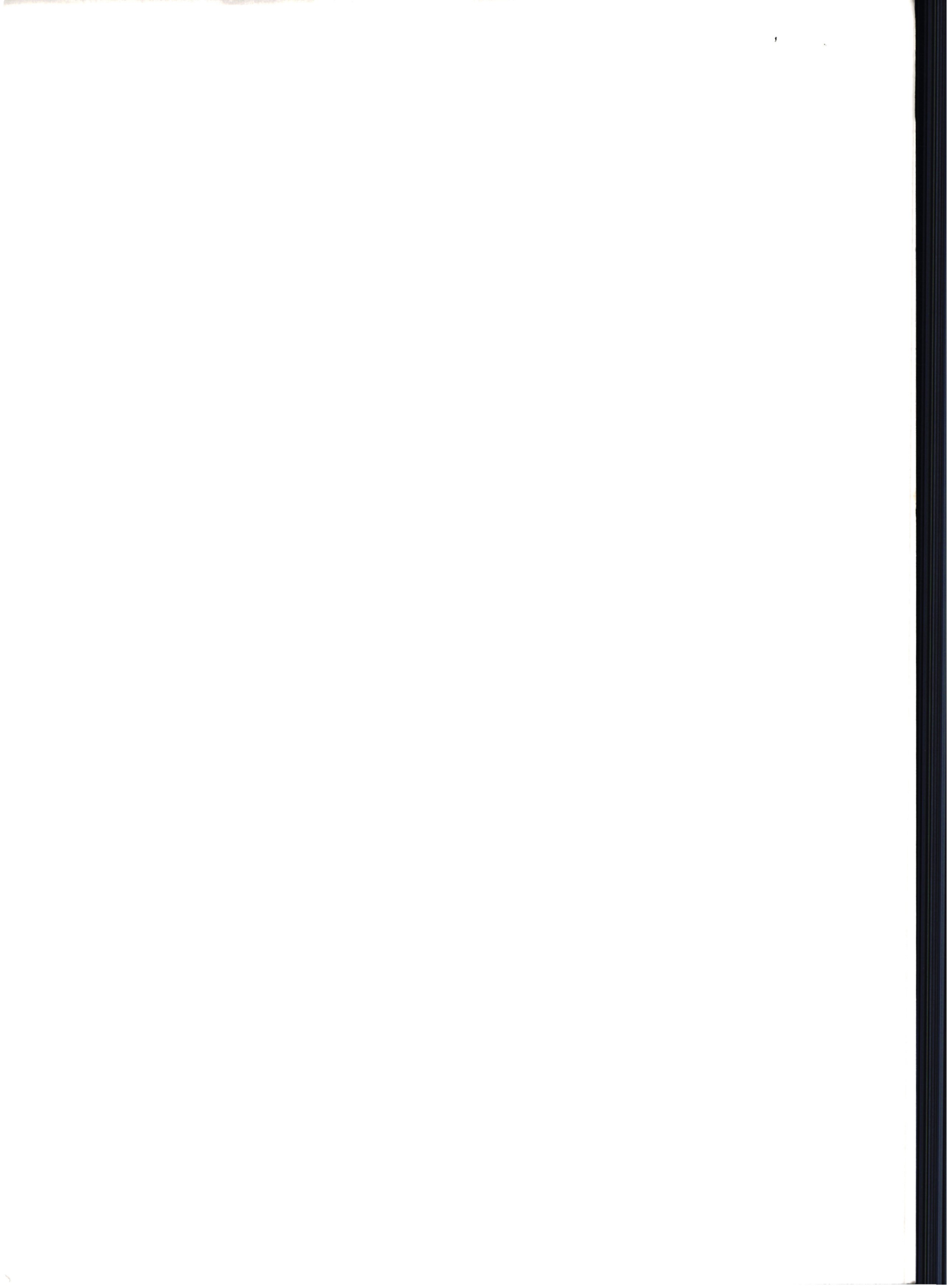


For the purposes of the cashflow statements, cash and cash equivalents comprise cash on hand and deposits held at call.

(g) Comparatives

Comparatives for the Financial Year 1998/99 relate to 9(nine) months since the Board started operations in September, 1998.

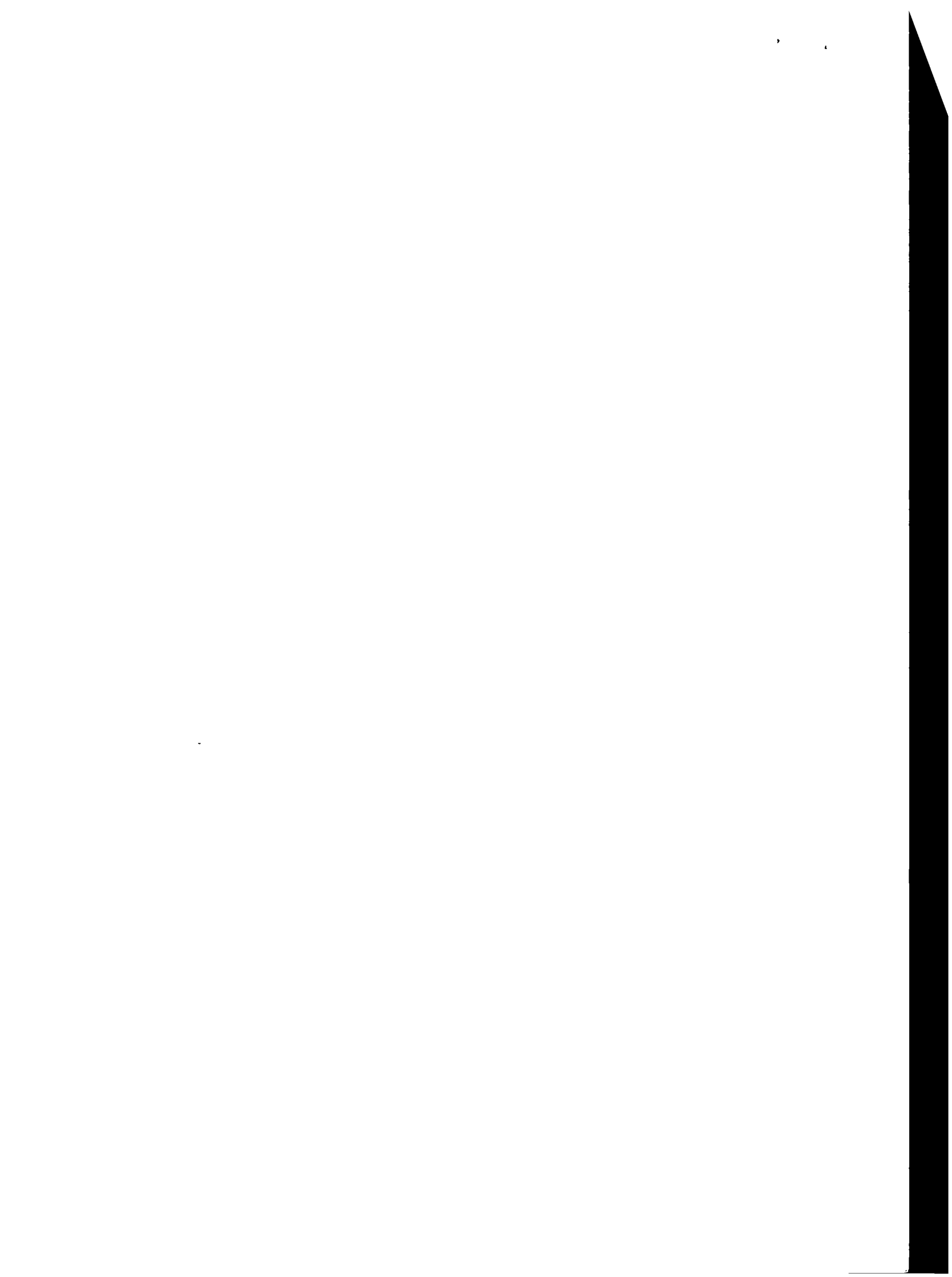
	1999/2000.	1998/1999.
	Kshs	Kshs
<b>2. Interest Income</b>		
Interest on short term deposits	3,634,182	1,385,034
Current Account	<u>19,924</u>	<u>38,193</u>
	<u>3,654,106</u>	<u>1,423,227</u>
<b>3. Board Expenses</b>		
Fees	7,777,800	3,496,300
Allowances	4,410,000	10,126,217
Travel & Accomodation	5,322,275	2,845,939
Others	<u>3,284,973</u>	<u>3,101,091</u>
	<u>20,795,048</u>	<u>19,569,547</u>
<b>4. Staff Salaries &amp; Benefits</b>		
Salaries	16,327,220	3,082,622
Pension Contribution	622,203	41,700
Medical	1,637,638	1,130,208
Insurance –Group Life & Personal Accident	383,215	196,051
Training & Capacity Building	9,376,792	193,298
Other	<u>151,292</u>	<u>275,355</u>
	<u>28,498,360</u>	<u>4,919,234</u>
<b>5. Office Supplies &amp; Expenses</b>		
Stationery ,Postage & Supplies	475,485	396,092
Office tea & expenses	941,213	693,994
Newspapers, Books & Periodicals	<u>284,628</u>	<u>73,600</u>
	<u>1,701,235</u>	<u>1,163,686</u>
<b>6. Transport &amp; Travel Expenses</b>		
Travel-Local	264,093	60,351
Travel-International	366,142	136,600
Fuel	807,113	118,645
Vehicle Repair & Service	344,956	96,219
Vehicle Insurance & Licenses	<u>1,193,241</u>	<u>973,125</u>
	<u>2,975,545</u>	<u>1,384,939</u>



	1999/2000.	1998/1999.
	Kshs	Kshs
<b>7. Public Relations &amp; Consumer Services</b>		
Advertising	2,547,454	655,774
Seminars /Workshops	58,834	-
Media Announcement	<u>1,067,044</u>	<u>-</u>
	<u>3,673,332</u>	<u>655,774</u>
<b>8. Utilities</b>		
Telephone & E-mail	1,077,958	268,268
<b>9. Office Rent &amp; Office Services</b>		
Rent	4,581,720	3,436,290
Security	120,200	69,064
Office Cleaning	595,658	214,368
Repair & Service-Office Equipment	137,010	45,920
Other	<u>57,958</u>	<u>-</u>
	<u>5,492,546</u>	<u>3,765,642</u>
<b>10. Consultancy &amp; Other Services</b>		
Consultancy	197,836	461,295
Bank Charges	113,376	63,905
Audit Fees	90,000	90,000
Audit Expenses	<u>23,490</u>	<u>-</u>
	<u>424,702</u>	<u>615,200</u>

**11. Fixed Assets**

	Motor Vehicles	Computer Equipment & Software	Furniture & Fittings	Equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Cost:					
As at 1 <sup>st</sup> July, 1999	15,217,576	1,911,721	29,031,848	1,508,886	47,670,031
Additions During The Year	<u>-</u>	<u>2,760,248</u>	<u>277,437</u>	<u>565,857</u>	<u>3,603,542</u>
As at 30 <sup>th</sup> June 2000	<u>15,217,576</u>	<u>4,671,969</u>	<u>29,309,285</u>	<u>2,074,743</u>	<u>51,273,573</u>
Depreciation:					
As at 1 <sup>st</sup> July, 1999	2,853,296	430,137	2,721,736	141,458	6,146,927
Charge for the Year	<u>3,804,394</u>	<u>1,033,872</u>	<u>3,656,786</u>	<u>212,301</u>	<u>8,707,353</u>
As at 30 <sup>th</sup> June 2000	<u>6,657,990</u>	<u>1,464,009</u>	<u>6,378,522</u>	<u>353,759</u>	<u>14,853,980</u>
Net Book Value:					
As at 30 <sup>th</sup> June 2000	8,559,586	3,207,960	22,930,763	1,720,984	36,419,593
As at 30 <sup>th</sup> June 1999	12,364,281	1,481,584	26,310,112	1,367,428	41,523,404



	1999/2000.	1998/1999.
	Kshs	Kshs
<b>12. Debtors</b>		
Ministry of Energy-(World Bank Training)	9,986,221	1,322,875
K.P.L.C	-	1,306,666
Ministry of Energy	-	11,456
ERB Sacco Society	<u>500,000</u>	-
	<u>10,486,221</u>	<u>2,640,997</u>
<b>13. Sundry Debtors &amp; Deposits</b>		
Hospital Deposits	550,000	550,000
Telephone Deposits	20,000	20,000
Staff Imprests / Advances	<u>118,980</u>	<u>44,770</u>
	<u>688,980</u>	<u>614,770</u>
<b>14. Short Term Deposits</b>		
Short term deposits are held with the following Banks:		
National Bank	30,000,000	-
Kenya Commercial Bank	<u>10,000,000</u>	<u>35,000,000</u>
	<u>40,000,000</u>	<u>35,000,000</u>
<b>15. Bank Balances</b>		
National Bank	2,898,285	150,914
Kenya Commercial Bank	563,093	7,079,497
Commercial Bank of Africa	<u>11,925,772</u>	<u>(74,720)</u>
	<u>15,387,149</u>	<u>7,155,691</u>
<b>16. Creditors</b>		
The Board repaid in full the balance of Kshs 30,000,000 that was due and owing to the Ministry of Energy.		
<b>17. Accruals</b>		
Audit Fees	90,000	90,000
Telephone Bills	64,434	43,741
Hospital Bills	60,089	954,746
Suppliers Invoices	2,571,404	75,045
ERB Sacco Society	-	176,000
Retention Money(Pannesar Ltd.)	-	1,139,390
Other	<u>227,213</u>	-
	<u>3,013,140</u>	<u>2,478,922</u>
<b>18. Cash &amp; Cash Equivalents</b>		
Petty cash	50,000	50,000
Bank Balances	15,387,149	7,155,691
Short Term deposits	<u>40,000,000</u>	<u>35,000,000</u>
	<u>55,437,149</u>	<u>42,205,691</u>



**19. Retirement Benefit Obligations**

All permanent employees of the Board are members of a contributory pension scheme. The Scheme is currently administered by an Insurance Company.

The Board makes a monthly contribution of 10% of each employee's basic salary and the employee makes a monthly contribution of 5% of his basic salary.

**20. Related Party Transactions**

.During the year the Board received services worth kshs 585,480 (1998-Kshs 214,368) from related parties.

All transactions with related parties appear to be at " arms length".

**21. Incorporation**

The Board is a state corporation established under The Electric Power Act of 1997.

**22. Currency**

The accounts are presented in Kenya Shillings (Kshs)

