

REPUBLIC OF KENYA



Enhancing Accountability



THE AUDITOR-GENERAL

ON

**KENYA ENERGY-SECTOR ENVIRONMENT
AND SOCIAL RESPONSIBILITY PROGRAMME
FUND**

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

STATE DEPARTMENT FOR ENERGY

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
08 MAR 2021
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**KENYA ENERGY ENVIRONMENT & SOCIAL
RESPONSIBILITY PROGRAMME FUND**

MINISTRY OF ENERGY

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

Kenya Energy Environment & Social Responsibility Programme Fund (KEEP)
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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Energy Environment & Social Responsibility Programme Fund was formed by an Act of parliament on 1st July, 2010 and phase one ended in 30 June 2017 with phase two expected to run until 30 June 2029. The Fund is under the supervision of Ministry of Energy.

The Fund is wholly owned by the government of Kenya and is domiciled in Kenya.

(b) Principal Activities

The principal activity of keep is supporting production of bio fuels and growing of trees in order to conserve soil.

Vision

Provision of affordable, quality energy for all Kenyans

Mission

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

Core Values

The Fund upholds the values of integrity, transparency, accountability, professionalism, prudent utilization of resources and open to constructive suggestions.

(c) Key Management

Ref	Name	Position
1	Dr. Eng. Joseph Njoroge, CBS	Principal Secretary
2	Moses Gitari	Assistant Accountant General
3	Felista N Ng'ang'a	Senior Assistant Director Supply Chain
4	William Mbaka	Senior Deputy Director Budget

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(d) Fund Offices

Ministry of Energy, Headquarters
P.O. Box 30582 – 00100
Nyayo House,
Nairobi, KENYA

(e) Fund Contacts

Ministry of Energy
Telephone: (254) 310112
E-mail: info@energy.go.ke
Website: www.go.ke

(f) Fund Bankers

Kenya Commercial Bank Limited
P. O. Box 30012, 00100
Kenyatta Avenue
Nairobi, Kenya

(g) Independent Auditors



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

(h) Principal Legal Adviser

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

2. MANAGEMENT TEAM

The management during the financial year consisted of:

	<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>Dr. Eng. Joseph Njoroge, CBS Principal Secretary</p>	<p>CPA Moses Gitari is the Head of Accounting Unit, Ministry of Energy. He holds an MBA in Strategic Management from The University of Nairobi and BBA in Accounting and Finance from KEMU.</p> <p>Mr Gitari is a practicing Accountant and a member of Institute of Certified Public Accountants of Kenya (ICPAK). He has vast experience in Accounting Systems Implementation and Business process re-engineering.</p> <p>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</p>
	<p>Moses Gitari Assistant Accountant General</p>

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 <p>Mr William O. Mbaka Senior Deputy Director Budget</p>	<p>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.</p> <p>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.</p> <p>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).</p> <p>He holds an MBA in Finance from Birmingham University (UK), A degree in Business Studies from Kenyatta University and an ACCA qualification</p>
 <p>Felista N Ng'ang'a Assistant Director Supply Chain & Management</p>	<p>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)</p> <p>She is also a holder of a B. Com (Business Administration) professionally, a member of KISM and KIM and a Diploma in Purchasing and Supplies Management.</p> <p>She has 15 years of experience in Public Procurement particularly in areas of Strategy, Contract Management and Binding process having worked in various government ministries and departments.</p>

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3. REPORT OF THE FUND ADMINISTRATOR

It is my pleasure to present the Kenya Energy Environment and Social Responsibility Programme Fund financial statements for the year ended 30th June 2020. The financial statements present the financial performance of the Fund over the past year.

The Fund was established on 17 October 2007, through Legal Notice No.188 and collects contributions from other Government entities affiliated to the Ministry of Energy for production of wood fuel, power distribution poles and energy crops for production of bio fuels and growing of trees in order to conserve soil and preserve catchment areas for hydro-power dams.

Financial Performance

a) Revenue

In the year ended 30th June 2020, the Fund utilized brought forward amount from prior year of Kshs. 118,921,657 and received an additional grant of Kshs. 100,000,000 from Ministry of Energy. In addition, an amount was realised of Kshs. 100,000,000 from transfer from Government entities and Kshs. 3,424,411 from interest income in actual revenues in the year.

In the table below, we present an analysis of revenue performance during the year.

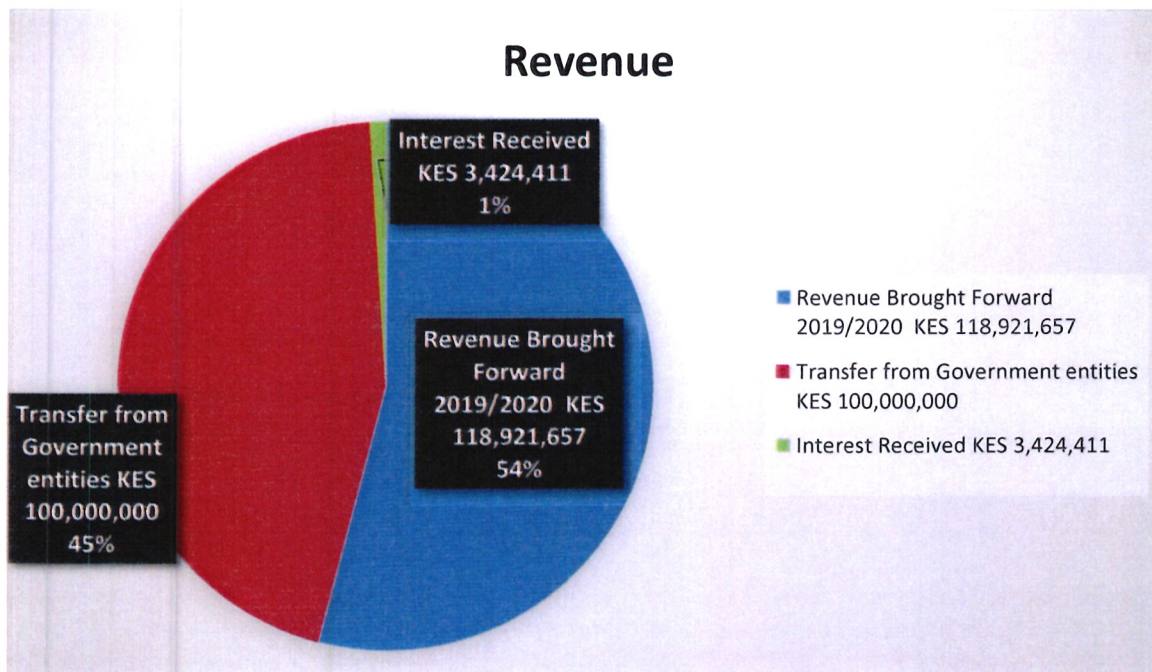
Revenue classification	Revenue Brought Forward	Actual	R ealization (%)
Revenue	Kshs.	Kshs.	
Brought Forward Revenue	118,921,657	118,921,657	100%
Transfer from other Government entities	100,000,000	100,000,000	100%
Interest received	-	3,424,411	100%
Total income	218,921,657	222,346,068	

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REPORT OF THE FUND ADMINISTRATOR (Continued)

A graphical representation of the revenue is as shown below:

Revenues Received in 2019/2020



b) Expenditure

During the financial year 2019/2020, the Fund had Budgeted estimates amounting to Kshs. 100,000,000 and actual expenses of Kshs. 36,336,600 resulting in under- utilization of Kshs. 63,663,400 (64%). The underutilization was occasioned by few activities in the year due to Government directive not to implement new projects. The following are tabular graphical representation of the actual expenses of Kshs. 36,336,600.

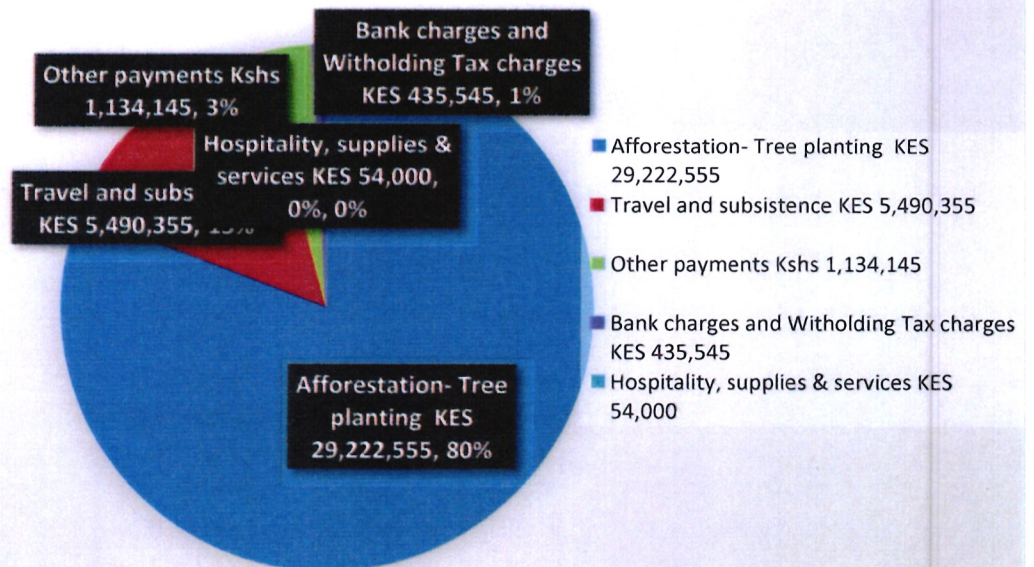
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REPORT OF THE FUND ADMINISTRATOR (Continued)

Description	Amount (Kshs.)
Afforestation – Tree planting	29,222,555
Travel & subsistence	5,490,355
Other payments	1,134,145
Bank charges and withholding tax charges	435,545
Hospitality, supplies & services	54,000
Total	36,336,600

A graphical representation of the expenditure is as shown below:

Expenses incurred in 2019/2020



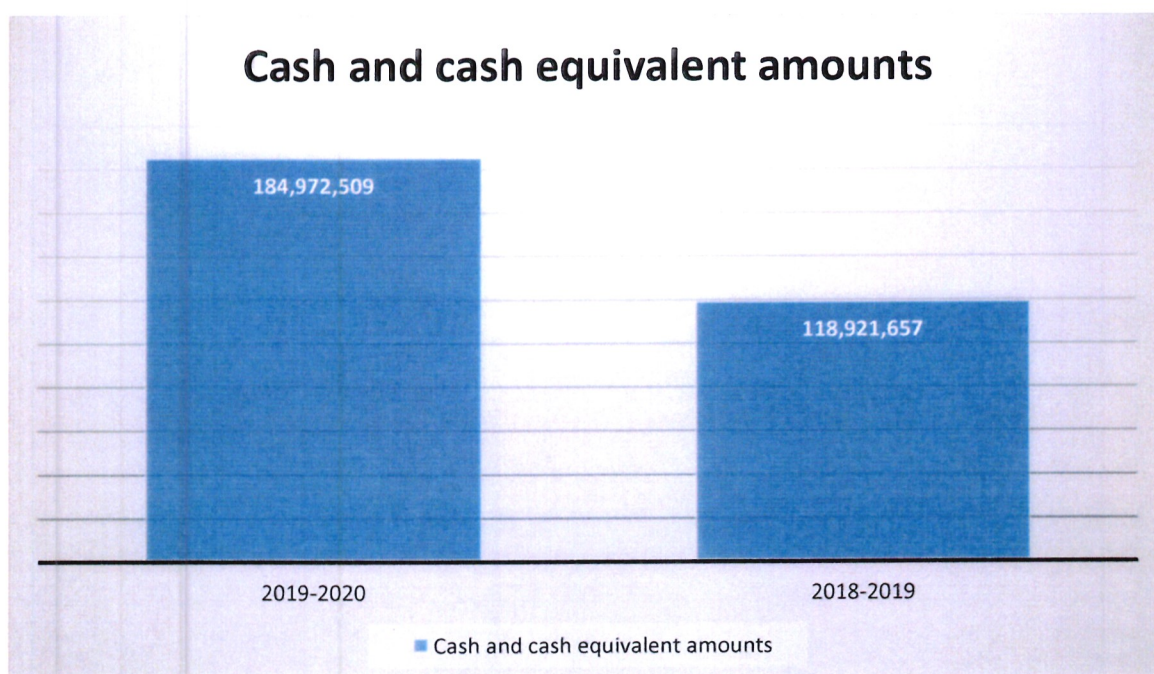
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REPORT OF THE FUND ADMINISTRATOR (Continued)

c) Cash flows

In the FY 2019/2020, we have not had any liquidity disruptions as the amount brought forward of Kshs. 118,921,657 was sufficient to meet the liquidity needs. In addition, the amounts received from other government entities (Ministry of Energy) which is the parent ministry increased significantly by kshs. 100,000,000 compared to prior year where kshs. 3,229,900 was received. The liquidity needs were sufficiently met. The cash and cash equivalents increased from Kshs. 118,921,657 as at 30th June 2019 to Kshs. 184,972,509 as at 30th June 2020.

A graphical representation of the cash and cash equivalent amounts is as shown below:



d) Conclusion

FY 2019/2020 was a good year in general. Good progress was made and the momentum has been created to enable Kenya Energy Environment and Social Responsibility Programme Fund continue on a trajectory into prosperity. We have identified gaps and areas to improve on in the subsequent years.

I take this opportunity to thank the management team for their support. I would also want to thank all staff who we have worked hand in hand to ensure that Kenya Energy Environment and Social Responsibility Programme Fund achieves its mission.

Signed: _____

**Dr. Eng. Joseph Njoroge CBS
FUND ADMINISTRATOR**

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4. REPORT OF THE MANAGEMENT COMMITTEE

The Management committee submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund's affairs.

Principal activities

The principal activities of the Fund continue to be supporting production of bio fuels and growing of trees in order to conserve oil.

Results

The results of the entity for the year ended June 30, 2020 are set out on page 1 to 12.

Auditors

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



Fund Administrator
Name: Dr. Eng. Joseph Njoroge, CBS



Fund Accountant
CPA Moses Gitari
ICPAK Number: 4204

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5. REVIEW OF KENYA ENERGY ENVIRONMENT & SOCIAL RESPONSIBILITY PROGRAMME FUND REGULATORY & NON – COMMERCIAL ENTERPRISE 'S PERFORMACE FOR FY 2019/2020

Introduction

Section 164 (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 Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the Funds' performance against predetermined objectives.

The key development objectives of the Kenya Energy Environment & Social Responsibility Fund's 2018-2022 plan are to:

- (a) the production of wood fuel, power distribution poles and energy crops for production of bio-fuels; and
- (b) growing of trees in order to conserve soil and preserve catchment areas for hydro-power dams, including provision Kenya Subsidiary Legislation, 2007 1885 of a sink for carbon dioxide generated through combustion of fossil fuels.

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

SNO	Fund's Programmes	Objective	Outcome	Key Performance Indicator	Performance 2019/20 FY
1.	Alternative Energy Technologies	To promote adoption of renewable and clean energy technologies	Increased access to clean alternative energy	Various technologies promoted	200ha re-afforested, 500ha maintained, 25 woodlots established, 20 investment grade audits undertaken, 6 renewable energy technologies demonstrated, 16 energy centres maintained.

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6. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the Fund Administrator to prepare financial statements in respect of that Kenya Energy Environment & Social Responsibility Fund, which give a true and fair view of the state of affairs of the entity at the end of the financial year and the operating results of the Kenya Energy Environment & Social Responsibility Fund for that year. The Fund Administrator is also required to ensure that the Kenya Energy Environment & Social Responsibility Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Fund Administrator is also responsible for safeguarding the assets of the Kenya Energy Environment & Social Responsibility Fund.

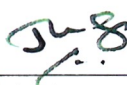
The Fund Administrator is responsible for the preparation and presentation of the Kenya Energy Environment & Social Responsibility Fund's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2020. This 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 entity; (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 Kenya Energy Environment & Social Responsibility Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Fund Administrator accept responsibility for the Kenya Energy Environment & Social Responsibility Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS Accrual), and in the manner required by the PFM Act, 2012. The Fund Administrator is of the opinion that the Kenya Energy Environment & Social Responsibility Fund's financial statements give a true and fair view of the state of Kenya Energy Environment & Social Responsibility Fund's transactions during the financial year ended June 30, 2020, and of the Kenya Energy Environment & Social Responsibility Fund's financial position as at that date. The Fund Administrator further confirm the completeness of the accounting records maintained for the Kenya Energy Environment & Social Responsibility Fund, which have been relied upon in the preparation of the Kenya Energy Environment & Social Responsibility Fund's financial statements as well as the adequacy of the systems of internal financial control.


Nothing has come to the attention of the Fund Administrator to indicate that the Kenya Energy Environment & Social Responsibility Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kenya Energy Environment & Social Responsibility Fund's financial statements were approved by the Fund Administrator on 15-09-2020 and signed on its behalf by:



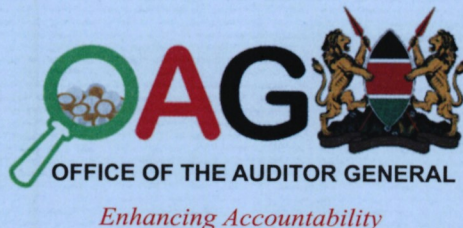
Fund Administrator
Name: Dr. Eng. Joseph Njoroge, CBS



Fund Accountant
CPA Moses Gitari
ICPAK Number: 4204

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA ENERGY-SECTOR ENVIRONMENT AND SOCIAL RESPONSIBILITY PROGRAMME FUND FOR THE YEAR ENDED 30 JUNE, 2020- STATE DEPARTMENT FOR ENERGY

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Energy Sector Environment and Social Responsibility Programme Fund set out on pages 1 to 11, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kenya Energy-Sector Environment and Social Responsibility Programme Fund 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 (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Government Financial Management (Kenya Energy-Sector Environment and Social Responsibility Programme Fund) Regulations, 2007.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Report of the Auditor-General on Kenya Energy-Sector Environment and Social Responsibility Programme Fund for the year ended 30 June, 2020 -State Department for Energy

Other Matter

Budget Control and Performance

The statement of comparison of budget and actual amounts reflects total budgeted expenditure of Kshs.100,000,000 against actual expenditure amounting to Kshs.36,336,600 resulting to under absorption of Kshs.63,663,400 or 64% of the budgeted amount. The under absorption of the budget affected the implementation of the Fund's planned activities and may have impacted 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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Low Production of Energy Crops for Bio-Fuels

As provided under Section 4 of the Government Financial Management (Kenya Energy-Sector Environment and Social Responsibility Programme Fund) Regulations, 2007, the Fund's 10-year Action Plan of 2019-2029, the 2019/20 financial year Work Plan and 2019/20 Procurement Plan of the Fund, one of the main objectives of the Fund is production of energy crops for bio-fuels. However, and as previously reported, our review revealed no evidence of any activities towards achievement of this objective.

Further, although the Ministry had identified Croton and Jatropha crops for production of bio-diesel, no significant investment in their cultivation and subsequent processing had been made.

Under the circumstances, it has not been possible to confirm that the Fund is progressing towards achievement of its intended objectives and it may be necessary to review its viability.

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, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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 preparing and presenting the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 financial reporting process, reviewing the effectiveness of how the Fund monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that 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 noncompliance. 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 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 that 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 appropriate basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Fund to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund not to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund 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 that 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 that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

09 April, 2021

Kenya Energy Environment & Social Responsibility Programme Fund (KEEP)
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7. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	2018-2019
		Kshs.	Kshs.
Revenue from non-exchange transactions			
Transfer from other government entities	4	100,000,000	3,229,900
Revenue from exchange transactions			
Finance income	5	3,424,411	3,854,628
Total revenue		103,424,411	7,084,528
Expenses			
Use of goods and services	6	35,901,055	71,431,676
Finance Cost	7	435,545	344,296
Total expenses		36,336,600	71,775,972
Surplus/ (Deficit) for the year		67,087,811	-64,691,444

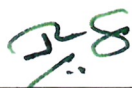
The notes set out on pages 1 to 12 form an integral part of these Financial Statements.

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8. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

		2019-2020	2018-2019
	Note	Kshs.	Kshs.
Assets			
Current assets			
Cash and cash equivalents	8	184,972,509	118,921,657
Non-Current Assets			
Accounts Receivables – Interest Income	9	1,972,595	-
Total assets		186,945,104	118,921,657
Net assets			
Accumulated surplus		186,945,104	118,921,657
Total net assets and liabilities		186,945,104	118,921,657

The Financial Statements set out on pages 1 to 12 were signed on behalf of the Management on 15-09-
2020 by;



Fund Administrator
Dr. Eng. Joseph Njoroge, CBS



Fund Accountant
CPA Moses Gitari
ICPAK Number: 4204

Kenya Energy Environment & Social Responsibility Programme Fund (KEEP)
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9. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Accumulated Surplus
	Kshs.
At July 1, 2018	183,613,101
Total comprehensive income	-64,691,444
At June 30, 2019	118,921,657
At July 1, 2019	118,921,657
Surplus for the year	67,087,811
*prior year adjustments	935,636
At June 30, 2020	186,945,104

*This relates to prior year interest income not accrued in the year 2018/2019 but funds receive in the year 2019/2020

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10. STATEMENT OF CASH FLOWS AS AT 30TH JUNE 2020

		2019-2020	2018-2019
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfer from other government entities	4	100,000,000	3,229,900
Finance income	5	3,424,411	3,854,628
Total Receipts		103,424,411	7,084,528
Payments			
Goods and services	6	-35,901,055	-71,431,676
Finance cost	7	-435,545	-344,296
Total Payments		-36,336,600	-71,775,972
Net cash flows from operating activities		67,087,811	-64,691,444
Adjustment			
Prior year adjustments		935,636	
Increase in inventory	9	-1,972,595	25,151,037
Net increase/(decrease) in cash and cash equivalents		66,050,851	-39,540,407
Cash and cash equivalents at 1 JULY 2019		118,921,657	158,462,065
Cash and cash equivalents at 30 JUNE 2020	8	184,972,509	118,921,657

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11. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		% utilization	
	2020	Kshs.	2020	Kshs.	2020	Kshs.	2020	Kshs.	2020	Kshs.	2020	2020
Revenue												
Transfer from other government entities	100,000,000		-		100,000,000		100,000,000		-			100%
Finance income							3,424,411		-3,424,411			-100%
Total income	100,000,000		-		100,000,000		103,424,411		-3,424,411			105%
Expenses												
Use of goods and services	100,000,000		-		100,000,000		35,901,055		64,098,945			36%
Finance Cost							435,545		-435,545			-100%
Total expenditure	100,000,000		-		100,000,000		36,336,600		63,663,400			36%
Surplus for the Year							67,087,811		-67,087,811			

12. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Kenya Energy –Sector Environment & Social Responsibility Programme Fund was established by the Public Finance Management (Kenya Energy- Sector Environment and Social Responsibility Programme Fund, Regulations,2007, through Legal Notice No. 188 of 2007. The Fund is under the supervision of Ministry of Energy.

The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is supporting production of bio fuels and growing of trees in order to conserve soil.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) Accrual allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Fund's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Fund.

The financial statements have been prepared in accordance with the PFM Act, the Public Finance Management (Kenya Energy- Sector Environment and Social Responsibility Programme Fund, Regulations 2007, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income.

ii) Revenue from exchange transactions

Interest income

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly on June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c) Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

Nature and purpose of reserves

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

c) Changes in accounting policies and estimates

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

d) Related parties

The Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the Fund administrator and senior managers.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) 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 Kenya Commercial Bank at the end of the financial year.

f) Comparative figures

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

g) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

h) Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 TRANSFERS FROM OTHER GOVERNMENTS

Description	2019-2020	2018-2019
	KShs	KShs
Unconditional grants		
Ministry of Energy	100,000,000	-
Contribution from Energy Regulatory Commission	-	2,000,000
Contribution from Chambre De Commerce	-	1,229,900
Total	100,000,000	3,229,900

5 FINANCE INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Interest income	3,424,411	3,854,628
Total	3,424,411	3,854,628

6 USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	KShs	KShs
Domestic travel and subsistence	5,490,355	20,675,405
Afforestation –tree planting	29,222,555	49,917,914
Other payments	1,134,145	678,357
Hospitality, supplies and services	54,000	160,000
Total	35,901,055	71,431,676

7 FINANCE COSTS

Description	2019-2020	2018-2019
	KShs	KShs
Interest cost	435,545	344,296
Total	435,545	344,296

8 CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Kenya Commercial bank-1104175894	184,972,509	118,921,657
Total	184,972,509	118,921,657

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 ACCOUNT RECIEVABLES

	2019-2020	2018-2019
	KShs	KShs
Interest receivable	1,972,595	-
Total	1,972,595	-

10 RELATED PARTY BALANCES

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The National Government;
- ii) Ministry of Energy;
- iii) Other government entities
- iv) Key management personnel;
- v) Related party's transactions;

	2019-2020	2018-2019
	Kshs	Kshs
Transactions with related parties		
a) Ministry of Energy		
Unconditional Grant	100,000,000	-
Total	100,000,000	-

11 EVENTS AFTER THE REPORTING PERIOD

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

12 ULTIMATE AND HOLDING ENTITY

The entity is a Semi- Autonomous Government Agency under the Ministry of Energy. Its ultimate parent is the Government of Kenya.

13 CURRENCY

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

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
-	Budget Performance and Control.	The management resolved that the budget has been enhanced for the Financial year 2019/2020	CPA Moses Gitari Fund Accountant	Resolved	N/A
-	Production of Energy Crops for Bio-fuels.	The Management Reported that they have identified Croton and Jatropha crops for Production of bio-diesel and its ongoing.	CPA Moses Gitari Fund Accountant	Not Resolved	N/A



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Fund Administrator
Name: Dr. Eng. Joseph Njoroge, CBS

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APPENDIX II: INTER-ENTITY TRANSFERS

	ENTITY NAME:			
	Break down of Transfers from the Ministry of Energy			
	FY 2019/2020			
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Ministry of Energy	9 th March 2020	100,000,000	2019-2020
		Total	100,000,000	

The above amounts have been communicated to and reconciled with the parent Ministry

Fund Administrator
 Name: Dr. Eng. Joseph Njoroge, CBS

Fund Accountant
 CPA Moses Gitari

Sign  -----

Sign  -----